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ADVERTISEMENT

THE FASTEST GROWING CHURCH IN THE WORLD

by Brother Keith E. L'Hommedieu, D.D.

It's quite safe to say that of all the organized religious sects on the current scene, one church in particular stands above all in its unique approach to religion. The Universal Life Church is the only organized church in the world with no traditional religious doctrine. In the words of Kirby J. Hensley, founder, "The ULC only believes in what is right, and that all people have the right to determine what beliefs are right for them, as long as they do not interfere with the rights of others."

Reverend Hensley is the leader of the worldwide Universal Life Church with a membership now exceeding 7 million ordained ministers of all religious beliefs. Reverend Hensley started the church in his garage by ordaining ministers by mail. During the 1960's, he traveled all across the country appearing at college rallies held in his honor where he would perform mass ordinations of thousands of people at a time. These new ministers were then exempt from being inducted into the armed forces during the undeclared Vietnam war.

In 1966 Reverend Hensley was fighting the establishment on another front. The IRS tried to claim the ULC wasn't a legal church and proceeded to impound the ten thousand dollars in the church bank account. The feisty Hensley filed suit against the IRS in federal district court for return of the funds and to permanently establish the ULC as a legal tax exempt entity. On March 1, 1974 Judge James F. Battin ruled against the IRS in his decision which stated, "Neither this court or any branch of this government will consider the merits or failacies of a religion. Nor will the court praise or condemn a religion. Were the court to do so, it would impinge upon the guarantees of the First Amendment." The judge then ordered the IRS to return the impounded money and to grant the Universal Life Church its tax exempt status.

Reverend Hensley has stated that he believes a church is people and not just a fancy building. He also believes in total freedom and equality for all people. The ULC will ordain anyone without regard to religious beliefs, race, nationality, sex or age.

The ULC's success formula is both effective and unquestionably legal. After a person has become an ordained minister, he or she can join with two other people and form their own Universal Life Church. These three people then make up the Board of Directors consisting of a Pastor, a Secretary and a Treasurer. The ULC will then grant the group the use of its legal church charter complete with both federal and state tax exempt numbers. The newly formed church may then open a bank account in the church's name. Any member of the church can legally donate up to 50% of his or her outside income to the church and take a corresponding tax deduction. The church in turn can pay the complete housing cost of its minister including rent or mortgage payment, insurance, taxes, furnishings and repairs. The church can also provide the minister with full use of an automobile as well as pay for travel and educational expenses. None of these expenses are reported as income to the IRS. Recently a whole town in Hardenburg, New York became Universal Life ministers and turned their homes into religious retreats and monasteries thereby relieving themselves of property taxes, at least until the state tries to figure out what to do.

Brother L'Hommedieu is Chairman of the Board of Trustees of the Sacerdotal Order of the Universal Life and serves on the Board of Directors of the International Universal Life Church, Inc.

Churches enjoy certain other tax benefits over the common man on the street. For instance, a church can legally buy and sell real estate or stocks and bonds completely tax free. It can receive tax free income from bank deposits or mortgages. Many churches own large publishing, recording, or other related businesses like hospitals, clinics and schools without paying any income tax.

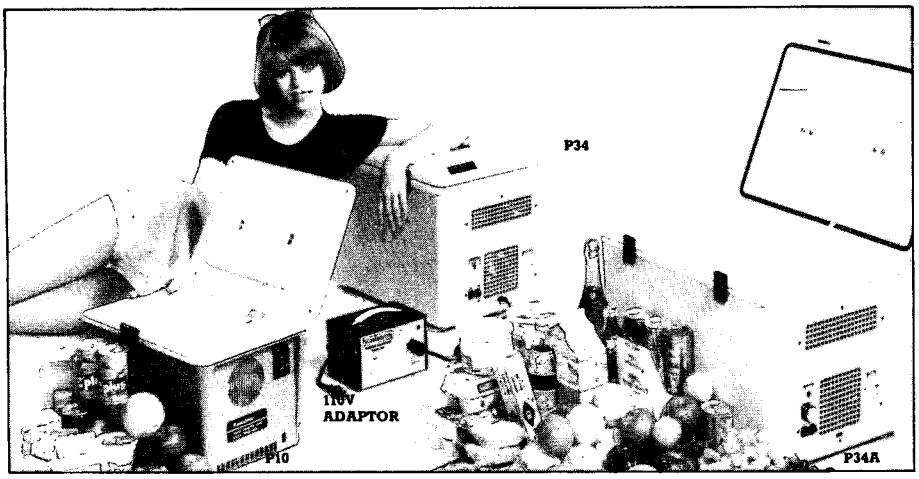
A church can sponsor any kind of fund raising event such as a concert, play or even bingo. Churches are also exempt from paying inheritance taxes. When the pastor of the church dies, the Board of Directors simply appoints a new pastor and the church goes on.

Reverend Hensley has stated that he personally doesn't believe in the tax exempt status of churches. However, if the government is going to give a free ride to Billy Graham and the Pope, then why not let everybody participate in these blessings. Furthermore, he backs his words up by offering to defend in court the tax exempt status of his congregations.

Since the church was founded in 1962, it has attracted members who are movie and TV personalities, businessmen, government officials, lawyers, and doctors as well as all types of regular working people. During the last 15 years the Universal Life church has blossomed into a full blown grass roots populace movement. Reverend Hensley is ordaining ten thousand new ministers a week and predicts that the church will have over 20,000,000 members by the early 1980's. In addition, requests for interviews and TV appearances continue to pour in.

Anyone who is a member of the ULC will tell you that the ULC is destined to change the world. By unifying mankind into a brotherhood of freedom orientated individuals, each respecting the other's right to live life as they see fit, the Universal Life Church hopes to put an end to all wars. Reverend Hensley admits that this is a pretty monumental task to accomplish, but he also points out that he is already well on the way to reaching his goal.

Rev. Hensley invites all those interested in becoming an ordained minister and receiving complete information and Minister's Credentials, to send a 10^{00} tax deductible donation to the Universal Life Church, 1335 Seabright Ave., Dept. **810**, Santa Cruz, CA 95060



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MODEL P10 CAR FRIDGE & FOOD WARMER
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*1981 prices

Holds approx. 17, 12 oz. pop cans–refrigerates in air temps. up to 95°F. Also keeps hot foods hot (150°F) at the flick of a switch. Tough, blue Polypro plastic case. Ext. 16"L x 11"H x 11½"W. Int. 11½"L x 8"H x 8"W. with 10 litre capacity (11 qts.) weighs 10 lbs. empty. Operates from supplied 12 volt power cord in vehicles or with optional 12VDC/110 VAC power adaptor.

As a travel fridge the P10 keeps foods and beverages fresh and cold wherever you go. Carry insulin, medical samples, dietetic foods. Great for private planes and golf carts. Photographers use it for films. Mothers . . . now you can refrigerate baby's formula in your car then heat with the flick of a switch. Powerboaters, just plug it into your boat's cigarette lighter to keep a day's food and drink ice cold without going ashore for ice. With your engine off, you can operate for up to several hours and still start your engine to recharge your battery "A low battery" indicator warns you when it's time to recharge. With the power off, your P10 keeps everything hot or cold for many hours in its well insulated case.

With our optional 110 volt adaptor you'll also find endless uses wherever house current is available. Great in motels for travelling.

MODEL P34 STANDARD RECREATIONAL FRIDGE
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(in Canada ~~$189~~* $149.00)
*1981 prices

Holds over 40 lbs. of food and beverages or 48 pop cans. Refrigerates in air temperature up to 95°F. Rugged ABS case in sand beige colour with dark brown non-corroding latches and handle. Large 34 litre capacity (1.2 cu. ft.) weighs 17 lbs. empty. Ext. 21"L x 16"H x 16"W. Int. 16"L x 12"H x 11½"W. Operates on 12 volts DC with supplied power cord or with optional 12 VDC/110 power VAC adaptor.

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"...I'm a lawyer myself — and I may be cutting my own throat — but I'm going to tell you the truth:"

Using a Lawyer may be Dangerous to your Wealth

My name is Charles Abbott. I'm a lawyer myself — and I may be cutting my own throat — but I'm going to tell you the truth:

The bulk of what most lawyers do could be done by someone who had never seen the inside of a law school — and usually is.

Lawyers *secretaries* do most of the work on wills, divorces (as well as annulments and legal separations), bankruptcies and creditor plans, simple contracts, real estate deals (buying, selling, and leasing), run-of-the-mill personal injury cases, adoptions, filing homesteads, insurance claims, minor criminal cases... and the list goes on and on.

And what do these Legal Secretaries do? They follow directions and fill in the blanks on forms. That's all. It's as simple as that.

That's why I think you may be ready to try being your *own* lawyer — and save a 'ton' of money.

But before you decide, answer these two questions: (1) Can you follow simple directions — no more complicated than assembling a Christmas toy or reading a cook book? (2) Do you have the few cents necessary to buy the correct forms at a Legal Stationery Store?

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(1) You don't necessarily have to have "the few cents necessary to buy the correct form at a Legal Stationery Store." Because I'll tell you how and where to get many of these forms *free*.

(2) You'll need my book. It's called "Do Your Own Legal Work." (And you *can* do your own legal work — no matter which State you live in!)

The book took more than a year to write. Based on what I've actually been earning in my law practice, that represents more than $100,000 worth of advice.

I mention that, not to brag, but so you'll know that I'm not some kid, fresh out of law school, and hungry for a few bucks. Along that line, you should know that I have a juris doctor degree in law, that I've been practicing for 13 years, and that I've written the book about the legal problems I work with, day in and day out.

Some other things you might want to know: I've published technical legal articles that explain the law — to lawyers. I've served as a research assistant to a Judge of the U.S. Circuit Court of Appeals. In addition, my biography appears in the prestigious Marquis' "Who's Who in American Law."

What will it cost you to "hire" a lawyer with those qualifications? Ten dollars. Just about what I—and lots of other lawyers—would charge you for 10 *minutes* of legal advice.

Why so cheap? Because I hope to sell a million copies—or at least enough so I can take some time off and enjoy life with my family.

That's what's in it for me.

And here's just a sample of what's in it for *you* (including complete directions and sample forms you can practice with):

How to find and use forms ...page 7

How to draft your own will...page 36

How to handle your own criminal case...page 72

How to settle your own accident or personal injury case ...page 82

How to handle an adoption ...page 99

How to dissolve your marriage...page 113

How to solve debt problems — from consumer-credit counseling to bankruptcy... page 127

How to draft a contract ...page 209

How to handle real estate transactions...page 216

How you can use a Law Library—free—to avoid probate!...save taxes!...form a corporation!...and handle hundreds of other matters! ...page 25

Now I'm not saying that you're never going to need a lawyer. I *am* saying that if you do need to see one, you'll be *ready* and be able to handle a lot of the simple, clerical work yourself. You'll save *his* time.

Here's an example of how my book will cut down on those precious minutes: For an attorney to draw up a simple contract might cost you $400 if he had to start from scratch. It could cost you $30 if he had to take only a half hour to review the work you'd already done — and *can* do, using my book.

Lawyers get $60 for husband-wife wills; I'll show you how to do your own in less than an hour. Lawyers charge $450 for a simple divorce which may take less than two hours of their time. Lawyers get between $3,000 and $4,500 for obtaining a $9,000 personal injury settlement. I'll show you how to do as well, or better, by yourself. Lawyers get $150 for an adoption, but their secretaries do the work — and so can you.

You still may be a little skeptical, so let me share just a few comments from other people:

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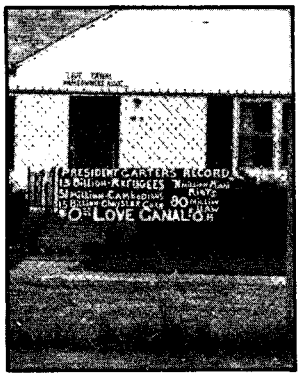

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BACK ISSUES: Write for back issue list for current prices. Volumes 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Volumes 5 and up are available from Xerox University Microfilms, 300 North Zeeb Rd., Ann Arbor, MI 48106. Indexed in *America: History and Life, Historical Abstracts,* and *Public Affairs Information Service Bulletin.*

editor's notes

• **EDITORS' ACTIVITIES.** Senior editor Manuel S. Klausner remains very active in the legal and public policy arena. As chairman of the Libertarian Law Council, he appeared last fall before the San Diego Superior Court and filed a petition with the state Supreme Court attempting to have the California Marijuana Initiative placed on the November ballot. As co-author of another initiative measure—to provide for educational tax credits—he has spoken before several groups and appeared on radio and TV. Klausner's newest effort is the Just Compensation Initiative, a proposed state constitutional amendment to require just compensation for any substantial impairment of real property values caused by government action. The principal author of the measure, Klausner is working with San Diego City Council member Fred Schnaubelt in a campaign to enact it.

Senior editor Tibor Machan has had an article on national labor policy accepted by the *Harvard Journal of Law and Public Policy*. In his capacity as Educational Programs Director of the Reason Foundation, Machan has announced the subject of the Foundation's 1981 Liberty Fund summer research seminar: "paternalism, the welfare state, and individual responsibility." Qualified scholars are being invited to apply as summer fellows. Machan continues to teach courses on the history of economic thought and business ethics at the University of California at Santa Barbara.

Editor Robert Poole, meanwhile, is participating in a Sabre Foundation study of urban enterprise zones, under the direction of contributing editor Mark Frazier. Poole is writing a chapter on how neighborhood groups in such zones could contract for public services with private firms. He will also participate in the project's upcoming conference on enterprise zones, to be held in Atlanta on February 20.

• **FAMOUS AUTHORS.** Recognition continues to come to the authors of REASON articles. On the best-seller lists in December were two books by financial experts long since published in REASON. Jerome Smith, author of *The Coming Currency Collapse,* first appeared in our June 1977 Financial Issue. That same issue included Douglas Casey, author of *Crisis Investing,* on the topic of second passports. Sam Blumenfeld, our November 1980 cover story author, was interviewed in November on radio station WKIS in Orlando, Florida. Host Gene Burns told listeners how impressed he was with REASON's coverage of private schooling for the masses. And contributing editor Alan Reynolds appeared on the *Wall Street Journal*'s editorial page October 24, arguing the supply-side case for tax cuts.

• **SUPER-GLUE ON NBC.** Our May 1980 cover story on the FDA's long campaign to prevent the surgical use of super glues was the basis for a segment on NBC Magazine with David Brinkley, the evening of December 12. The network hired REASON author David Mathisen to assist with research for the program. This marks the third time that a REASON cover story has become the basis for a network newsmagazine story.

• **CITY HALL PAPERBACK.** Fans of Robert Poole's book *Cutting Back City Hall* will be pleased to learn that Universe Books will be releasing a paperback edition this spring. This time distribution will be via bookstores across the country, rather than primarily by mail order. The price of the paperback will be $5.95, says Universe.

• **SATELLITE INFO.** In our November Trends column we reported the existence of a weekly magazine on the burgeoning communications satellite industry. Soon after that issue appeared, we heard from Ron Pearson, managing editor of *Satellite News,* a biweekly newsletter. It turns out that Pearson's newsletter predates the competing weekly. Moreover, says Pearson, its editorial policies are soundly pro-free-enterprise. So for those with $167 a year to spend, *Satellite News* may be just what you've been looking for (from Phillips Publishing, Washington, DC).

• **HONG KONG FILM.** A new film has been released, explaining the success of the free market in Hong Kong. Produced as an educational venture by the Liberty Fund, it is available for use from Modern Talking Motion Pictures, a distributor with outlets across the country. The only charge is for the costs of shipment. The film runs just under a half-hour—a good length for showing to local organizations (Chamber of Commerce, Rotary, etc.) or to broadcast on your local cable TV station.

—R. P.

Socializing Risk

editorial

THIS MONTH'S INVESTIGATIVE COVER STORY on the Love Canal episode illustrates in a particularly dramatic way the power of wrong-headed ideas.

To begin with there's the by-now routine assumption of corporate guilt by the news media. The Hooker Corporation has been accused, tried, and convicted in the court of public opinion, thanks to journalists who didn't even *look* for contrary evidence. Whatever is the outcome of the ongoing litigation of this case, it was never as cut-and-dried as the public has been led to believe. As our story reveals, plenty of evidence implicating parties other than Hooker was right there all along, in the public records in Niagara Falls.

Yet the term "Love Canal" has passed into the language as an exemplar of corporate irresponsibility. And because this myth is widely believed, we have now been blessed with something called the "superfund" law.

The superfund actually consists of two funds. One will pay for mishaps occurring at waste dumps that meet new federal standards; it will be financed by a tax on wastes deposited in those dumps. The other fund—paid for by a tax on chemical and oil companies and by all of us as income tax payers—will be used to clean up chemical spills and hazardous waste dumps.

What we have here is yet another instance of the socialization of a risky industrial situation. You know the pattern. A much-publicized accident or catastrophe leads to sympathy for the victims and thence to general demands to "do something" so that such situations won't occur again. The result is the creation of a new federal bureaucracy with the power to set and enforce safety standards—and an implicit or explicit limit on the liability of the potential wrongdoers.

We've seen this pattern repeated time and again. Air crashes in the 1920s led to a federal takeover of aviation safety, and successive crashes continue to yield increased power for the Federal Aviation Administration. The Thalidomide incident in 1961 led to the transformation of the Food and Drug Administration into a vastly more powerful regulatory body. The fear of nuclear accidents led to creation of the Atomic Energy Commission and its successor, the Nuclear Regulatory Commission, to limit liability for accidents and to set and enforce safety standards.

There is no question that these agencies are set up and reinforced in their powers in response to legitimate, often tragic, problems. And there is no question that they take their roles seriously and expend large sums of money in pursuit of their mandates. There is also no question that each has a substantial effect on the industry it regulates. But the important question to ask is whether this type of solution—bureaucratic regulation—is in *fact* the best way to deal with complex safety problems.

Evidence is accumulating that it is not. In aviation, major crashes keep occuring, all too often traceable (as in the 1979 DC-10 crash) to a breakdown of the FAA's safety regulation system. American consumers are denied access to hundreds of potentially life-saving drugs, due to the FDA's bureaucratic hyper-caution in approving them for use. And the nuclear power industry stands virtually paralyzed by regulatory delays and the aftermath of the Three Mile Island accident—an accident stemming directly from the nature of the regulatory system (see "Who Caused Three Mile Island?" REASON, Aug. 1980).

Moreover, consider the injustice built into such solutions. Instead of paying for their own standards development and safety research—as most other industries do—the aviation, pharmaceutical, and nuclear industries have managed to get the *taxpayers* to absorb varying amounts of this portion of their overhead. And as for the victims of disasters, how secure can such people (or their survivors) be, knowing that the offending firm can seek shelter in the defense that it met all the applicable government standards—however politically motivated, however ineptly administered those standards might be?

Yet it is just such a solution that has now been legislated for the toxic waste problem. All firms—responsible and irresponsible—will be taxed to pay for the misdeeds of the worst of them. So will each and every one of us. And any firm whose dump meets federal standards will escape liability for harm to others. In certain instances, liability will be explicitly limited.

What's the alternative? It's the same solution we have urged for the aviation, drug, and nuclear industries: *privatize* the risk, don't socialize it. The law should provide for strict and full liability for *all* harm caused by chemical dumps and spills, with no limits and no escape hatches (like "sovereign immunity"). If companies and government agencies stood thus naked before the law, what would be the result? We would have larger and more robust systems of insurance, and that in turn would require extensive private research and development efforts (on waste-disposal technology) and vastly improved information systems—paid for by the industry's customers, not taxpayers. Firms unable to satisfy safety experts and thus unable to get insurance would fall by the wayside as their capital dried up.

It's true that we can't afford "another Love Canal." But what that really means is that we can't afford to add to its legacy another costly bureaucracy that destroys incentives for responsible action while soothing the public with an aura of safety. Yet that seems to be just what Congress is giving us.

Robert Poole, Jr.

letters

Reindustrialization Reply

A response to Robert Poole's threefold policy for reindustrialization (Editorial, Nov.), libertarian style:

"End inflation by restoring sound money and prohibiting federal deficits." To establish a stable dollar abruptly would be as unfair to the recent borrowers of presumably constantly depreciating money as inflation was to the lenders of presumably constant valued money. It would bring on mass bankruptcy, the "cleansing effect" so deeply desired in much of the hard-money camp. Hardly a reindustrialization program! I feel the dollar's rate of depreciation should be reduced slowly over a period of many years. Such a policy would restore equity to financial transactions. If constitutionally guaranteed, this policy would restore predictability and confidence to the dollar. Of course, people would still feel the need for stable money, for an unchanging yardstick of value. Perhaps the federal government could conduct any new business in a new monetary unit with no built-in inflation, a unit whose currency would be convertible to gold at a constitutionally guaranteed exchange rate. There would be no reason to prohibit federal deficits.

"Abolish all taxes on savings and investment income." It is unfair and illogical to discriminate between earnings from interest, dividends, or capital gains (with inflation accounted for) and earnings from wages or salaries. A better plan is to shelter, at least partly, income from any source while it is being held for savings or investment.

"Reestablish free competition—that means no subsidies or bailouts, no restraints on closings or relocations." Right! But free competition also means no price control. Rate regulation of investor-owned enterprises and below-market pricing for those collectively owned have caused their physical and financial deterioration along with an emphasis on uneconomic consumption.

William K. McLennan
Santa Barbara, CA

Libertarian Diversity of Means

I was pleased to see how your formulation of the "correct response to tyranny" (Dec.) disposes of the false dichotomy often posed by people who are "for" or "against" libertarian political activity or specific approaches to communicating libertarian ideals. You say that the solution is for "individuals to make the personal effort to figure out how to combat (tyranny) and to do so *on whatever front they have the best opportunity*" (emphasis added).

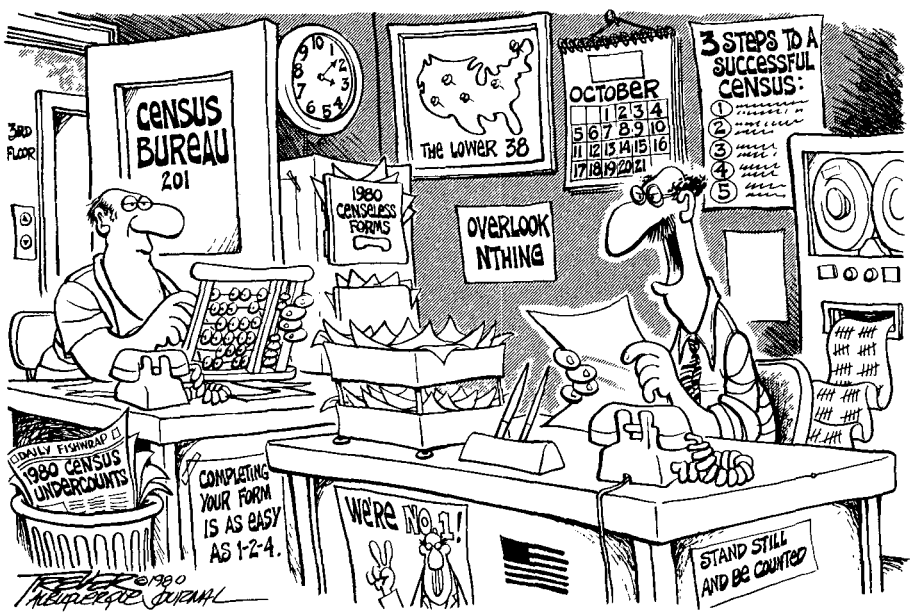
How wrongly has this minor matter of personal opportunity been ignored! For each of us brings different abilities, interests, and energies to the fight, and only fools turn away those whose approaches differ. To the extent that our personal peculiarities position us differently in the battle for a free and just society, each of us should exploit our targets of opportunity.

None of this gainsays the fact that, to the extent we are *similarly* situated—for example, as contributors or volunteers to political campaigns—we all face a similar problem in judging, for instance, whether to vote for a Libertarian or other candidate for president. This is not the kind of decision which rests upon personal history or abilities, but rather upon the efficacy of two alternative means to a chosen end. To use another example, we all must evaluate political action *per se* against the merely educational alternatives.

In this context, I have argued often that in general there *is* "one best way" to accomplish political change in the direction of a free society, which is the Libertarian Party. You can also find me arguing for general support of particular agendas for that party. But it is sad that those who disagree over such matters as a party agenda too often are not satisfied to address our common interest in these matters, but feel impelled to attack others for interests and approaches not held in common.

Time, like other economic factors, is scarce, and we are compelled by the lack of it to focus our individual resources somewhere. No one can fight on all fronts at once, and allocation of personal effort need not always possess a rationale obvious to others. Let us remember that the next time we hasten to take the measure of someone else's commitment.

William D. Burt
Libertarian National Committee
Washington, DC



"AT LEAST SOMEBODY APPRECIATES US! THE WHITE HOUSE WANTS TO PUT US IN CHARGE OF COMPILING THE INFLATION FIGURES!"

Here's to Competition

In your Trends column (Oct.) you speak of two court victories which will speed the arrival of cable television to viewers anxious to look at alternatives to the FCC's three-channel oligopoly in commercial

(Continued on p. 61.)

brickbats

☐ **They did it.** They really did do it. A court-appointed desegregation administrator has ordered Cleveland, Ohio, high-school basketball teams to include a minimum of "two white players on each of their 12-man basketball squads." The concern of the integration policers was piqued two years ago when, out of 14 public high-school teams, only *one* student-athlete could be found who had been affected with the nearly fatal (for basketball purposes, anyway) "white man's disease."

When the federal micro-heads get their calculators rejuiced, however, we are sure to see a far stronger edict tossed down from on high. For, while whites make up 35 percent of the public-school population in Cleveland, 2 divided by 12 calculates to but 16.67 percent. *Four* squad members of the *Humanus Caucasius* variety must be stirred in gently with the real basketballers (by virtue of talent—remember talent?), and *two* must be *starters.* Even these numbers would not produce the precisely equitable mix, of course, because the percentages are hard to duplicate on a basketball team having only 12 players, with but five starters. But not impossible. No indeed. Why don't we simply match the percentages *exactly* by mandating the use of players whose total "white blood" count adds up to the desired 35 percent white, 65 percent black. Very few are 100 percent anything, so we'll have no problem adding 89-percent-white men, with 93-percent-black men and arriving at the proper mix.

Now, one further problem would be the issue of playing time. To have this exact racial concoction sitting on the bench would do little justice. This 35-65 rule will have to apply at every moment for which the ball is in play. Oh yes, and we can't forget scoring, which must not be biased in favor of some certain ethnic group but must also be shared equally. And rebounding, ball-handling, assists, steals, slam-dunks, free throws, personal fouls, and play-calling. To permit anything else would be outright racism. Play Ball!

☐ **And this cheerful news** from United Press International: "Young Afghan males are being seized in public theaters and sports stadiums by government agents and sent to the Soviet Union's Muslim republics bordering Afghanistan for military training." The patriotic crusade had even expanded into house-to-house searches for qualified young volunteers. The People's Army is just so anxious to help the citizenry, it can't wait through the time-consuming paperwork of enlistments. But wipe that smirk off your face. America isn't Afghanistan, *but*...we have Sen. Sam Nunn. And this Georgia cracker can be real trouble, too. He's currently leaning on Ronald the Magnificent to retain the greatest achievement of the Carter administration, draft registration. "If we were to cancel registration," he burps, it would (among other things) "be disillusioning to our young people." Naturally. Just like the slaves who, the day after the Emancipation Proclamation, just didn't know what to do with all that free time. How to deal with Reagan's frequent criticism of draft registration during the campaign? The high-flying Nunn was quick with the advice: "If he goes back on a campaign promise, there is precedent for that."

☐ **But before you jump** off the ledge and end it all, consider this Great Progress. Anita Bryant, long the Mother Scold of the Congressman Bauman community, has issued Orange Encyclical #1: "Live and let live." After kicking the valium, sleeping pill, and wine-guzzling habits, and surviving a contemplated suicide, she now admits: "I could see that a lot of people got involved in the crusade who had a personal vendetta about gays. They harbored hatreds." But Anita doesn't hate anybody anymore, and estranged husband Bob Greene is even convinced that Anita went one step further than "nice"—even while they were married. To his charges of adultery, Anita drawls: "I can't say that I'm totally innocent. I guess when there's a real void in your life and your marriage becomes rotten, you fantasize a lot of things." Sounds like lusting in your heart, huh?

☐ **And a sad note.** No punch line. Andrei Amalrik, the noted Soviet dissident, is dead. He was but 42 years of age when killed in a head-on collision in Madrid, Spain. He was there to protest the Soviets' obscenities in using procedural gimmicks to prevent an international conference from reviewing the 1975 Helsinki accords dealing with human rights in the Eastern bloc countries. Three other passengers survived the crash, so it is indeed possible that it was an accident. We will never know for certain. Amalrik was, in Leopold Labedz's estimation, "a very special individual." At the young age of 27 he was arrested for "parasitism" and exiled to Siberia. But his resounding spirit triumphed over the elements, and he survived to publish many remarkable essays on Soviet life. What amazed Westerners was that his voice seemed so familiar. Whereas Pasternak, Solzhenitsyn, and others were heroic *Russians,* it was uncanny that Amalrik could speak to us as though he understood that life could be different and *how* it *should* be different. In his best-known book, *Will the Soviet Union Survive to 1984?* Amalrik wrote:

> *The idea of self-government, of equality before the law and of personal freedom—and the responsibility that goes with these—are almost completely incomprehensible to the Russian people. Even in the idea of pragmatic freedom, a Russian tends to see not so much the possibility of securing a good life for himself as the danger that some clever fellow will make good at his expense. To the majority of the people the very word "freedom" is synonymous with "disorder" or the opportunity to indulge with impunity in some kind of antisocial or dangerous activity. As for respecting the rights of an individual as such, the idea simply arouses bewilderment. One can respect strength, authority, even intellect or education, but it is preposterous to the popular mind that the human personality should represent any kind of value.*

It was just this sort of fascinating analysis, which cut straight through to arguments that those of us who had never stepped foot on Russian soil could appreciate, that created so much admiration for Amalrik in the West and so much trouble for him at home.

Not only was he continually harassed (finally being exiled to the West in 1976), he was cruelly hurt by a smear campaign in the "Free World" press alleging that Amalrik was a KGB stooge (this ended, for the most part, when he was arrested and impounded in Siberia). Those who made such charges could simply not believe his insight. As the *Washington Post's* Anatole Sub wrote in early 1970, "Many of the kindest, best-intentioned Western scholars find it incredible that he could have developed—independently—not merely an original mind, but a remarkable grasp of the Western thinking about his country."

Like only a few giants in this wanting century, Andrei Amalrik deserves to be remembered.

—Thomas Winslow Hazlett

trends

Vouchers, Tax Credits Coming Up

While the failings of the government school system are widely catalogued, the expansion of alternative education is severely constrained by the double-payment problem: people choosing private schools are still forced to pay for public schools. But the prospects for reforms to end double payment are looking up.

To begin with, President-elect Ronald Reagan has long supported the idea of tuition tax credits for those utilizing private schools. And with the Republican takeover of the Senate, Sen. Orrin Hatch, who favors such an approach, is the new head of the Labor and Education Committee. Moreover, the 14-member Reagan task force on educational policy, headed by W. Glenn Campbell of the Hoover Institution, is considering both tuition tax credits and a national education voucher system (first proposed nearly 25 years ago by Milton Friedman).

The voucher idea has cropped up again in California, as well. In November the administration of Gov. Jerry Brown began circulating a proposed master plan for "youth services" featuring a public school system decentralized to the neighborhood level, an end to compulsory schooling at age 14, and a statewide voucher system. Youth services such as schooling should be accessible by walking (and presumably *not* by crosstown busing), says the draft, and families opting out of the new public schools should receive vouchers from the state so they could choose their own schools—what the draft calls "family-managed" education.

Needless to say, the plan has already come under fire from state education officials, PTAs, and—surprisingly—"pro-family" conservatives. Drafted by the state's Health and Welfare Agency, it was due to be submitted to the legislature in January.

FAA Slammed Again

How good is the computer system that handles enroute air traffic control from 23 control centers across the country? Not very, concluded the Transportation Subcommittee of the Senate Appropriations Committee in a report released in October. Although a Federal Aviation Administration spokesman claimed that computer failures had been cut in half between 1977 and 1980, the report pointed out that breakdowns are often recorded in FAA logs as shutdowns for maintenance and that shutdowns of less than a minute are not even recorded. Thus, it's hard to tell *what* FAA breakdown figures really mean.

In further criticisms, the report charged that the FAA does not keep adequate records of computer component failures; is unable, due to inadequate record-keeping, to relate near-misses or crashes with computer outages; and has not adequately trained controllers in use of the backup system. The report called the present software design "an intertwined mess" with different fixes installed at different centers, depending on where problems had occurred.

The report also faulted the FAA's plan to spend $2.8 billion on a next-generation computer system, since it had not conducted a cost-benefit analysis, nor had it calculated how soon the present system will reach the point of saturation. Queried on the latter point, one FAA official told committee staff that he had a "warm feeling" that the present system would not be saturated before 1990.

This latest report raises once again the question how much longer this nation must put up with an air traffic control system run by bureaucrats instead of an efficient private corporation as in Switzerland (see "Is This Any Way to Run an Airway?" REASON, Jan. 1979). Perhaps it's time for the air traffic controllers to renew their call for privatization of the system.

Hope for Property Rights

A case that will be heard by the US Supreme Court may clarify some property rights issues badly tattered in the last year. The case, *San Diego Gas & Electric Co.* v. *City of San Diego,* arose when the city downzoned from industrial use to open space an area of land in which SDG&E owned interests. The utility is suing for money damages, and the District Court of Appeal held that SDG&E was entitled to just compensation, whereupon the city appealed to the California Supreme Court.

In the meantime, the *Agins* v. *City of Tiburon* case came before the US Supreme Court. The Court held that Tiburon's downzoning of the Aginses' land from five units per acre to one unit per acre did *not* constitute a "taking" of property without just compensation. Downzoning is a legitimate exercise of the police power of the State and since the Aginses had never filed for a permit to build any units, compensation was not an issue, ruled the Court. Based on *Agins,* the California Supreme Court reversed the San Diego decision in favor of the city.

Two groups backing SDG&E in its appeal to the US Supreme Court are the Pacific Legal Foundation and, unexpectedly, the San Diego Urban League, which is working to eliminate discrimination and to increase blacks' economic power in San Diego. Clarence Pendleton, SDUL president, explains their support: "Every time government restricts land use, that lessens housing opportunities.... Zoning holds land off the development rolls and when housing production is constrained the low- and middle-income person takes the brunt of the shortages and the limiting of opportunities." Pendleton is worried about the possibility of exclusionary zoning, especially since the SDUL is actively engaged in the construction and rehabilitation of housing. The League, he notes, does not have the money to fight legal battles in the event that any of its land were downzoned, and thus the *amicus curie* brief for SDG&E.

Apartheid Failure Acknowledged

For the first time in 20 years, a South African prime minister, Pieter Botha, has conceded that the separatist policy of apartheid has not worked. Prime Minister Botha declared in a speech last October that the theory of separate development for South Africa's black and white races is simply not economically viable.

Botha will therefore be presenting to parliament several measures going further than earlier reforms. The bills are designed to ease restrictions on blacks already living and working in urban areas and would repeal over 60 apartheid provisions. Partial self-government would be granted to black townships, which are presently run by white government-appointed boards. Blacks would no longer need to obtain government permission to move to a new city or to change jobs.

Families of legal black workers would be allowed to live on the same urban property as that worker if "overcrowding" did not result. Black businesses would be allowed to expand in black townships without prior government approval, and blacks would be allowed to own property in perpetuity, rather than being limited to the current 99-year leases.

One of the touchiest aspects of the issue of black civil rights is the pass system under which police can stop any black person in an urban area and demand to see a passbook proving that he or she has a right to be there or is visiting for less than 72 hours. Over 700,000 blacks are arrested annually for violating the pass system. Under the new laws, the requirements for the right to move freely in urban areas would not be as stringent (continuous service with one employer for 10 years, having been born there) but would still require that the black person have a job and accommodations in that area.

The fact that the new laws will make life easier only for those blacks *already* living in urban areas has led to accusations from Botha's critics that he is attempting to create a privileged, complacent black middle class. The critics also point out that these laws make no effort to share political power with blacks: Although there are only about 4.5 million whites to about 22 million blacks in South Africa, whites alone are represented in the South African parliament. It is not clear yet whether the new proposals will pacify blacks or awaken them into demanding full equality before the law.

Social Security: Time for Change

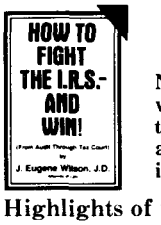
As of January 1, Social Security taxes went up again. For 1981 the payroll tax is 6.65 percent of the first $29,700 of earnings, compared with 6.13 percent of the first $25,000 for 1980 (itself a hefty boost from the previous year). Despite that large increase, the system will still run out of cash by 1982 unless changes are made. And in the longer run, as the postwar baby-boom generation matures, the system faces general insolvency. By the year 2010, it is projected that there will be only two workers for every retiree, compared with 3.25 for every retiree today. Thus, if the system remains on a pay-as-you-go basis, massive troubles lie ahead.

But that's not the only problem. More fundamentally, because Social Security funds are simply *transferred* from present workers to present retirees, the system is economically the opposite of a private pension system. In the latter, funds from workers are invested in productive enterprises, contributing capital to the nation's industrial expansion. Economist Martin Feldstein estimated that America's capital stock is *$1 trillion* (50 percent) less today than it would be if people had private pensions in place of Social Security. Although he recently revised these calculations downward, he still found that Social Security has reduced private saving (and hence investment) by around 40 percent.

Seen in this light, most proposals for Social Security reform pale into insignificance. The Reagan Social Security task force, headed by the Hoover Institution's Rita Ricardo Campbell, has recommended several gradual changes—increasing the retirement age from 65 to 68, reducing benefit levels to 25 percent of a person's last paycheck instead of 41 percent, and basing inflation adjustments on wage increases rather than price increases whenever wages are rising more slowly than prices. While this would reduce the system's prospects for bankruptcy, it fails to address the capital-formation problem. A recent report by Congress's Joint Economic Committee touched briefly on this problem, noting that for the long term elimination of pay-as-you-go in favor of investment accounts would provide a more secure retirement system.

Just such a plan—phasing out the government-run, tax-based system by eliminating it for everyone under 40 and allowing such people to invest in tax-exempt individual retirement accounts—has been worked out in detail by Harvard law graduate Peter Ferrara. As set forth in his new Cato Institute book, *Social Security: The Inherent Contradiction,* the plan would retain present benefits for those over 40, paid out of general revenues. But it would end the system altogether for those under 40, in favor of

HOW TO FIGHT THE I.R.S. — AND WIN!
(FROM AUDIT THROUGH TAX COURT)
By J. Eugene Wilson, J.D.
Atlanta attorney



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a private investment-based system that would channel tens of billions each year into productive investments.

Interestingly, a system much like this has just been introduced—in Chile. On November 6 the Pinochet government announced the privatization of that country's social security system. The old system, created in the 1920s, was much like ours—costly, inefficient, and fiscally unsound. Under the new system, each person will have his own account in a private retirement fund, to be invested in accordance with guidelines spelled out in the tax laws. Although participation in the system will be voluntary when it goes into effect on May 1, the plan is to make it compulsory after five years. Workers will then be required to contribute at least 10 percent of their gross salaries to their retirement accounts. While the compulsory feature is questionable, the thrust of the change is a major step in the right direction—one the Reagan administration would do well to emulate.

A Moving Reform

The household moving industry joins the ranks of the partially deregulated, thanks to a new federal law giving movers more leeway in offering different rates and service options. It further allows shipper disputes to be settled, according to new minimum standards and procedures, by arbitration. The moving industry has already been affected by the recent trucking deregulation measure, signed in July, which made entry into the industry easier and thus upped competition. The new law also allows movers to step out of the industry's collective rate-setting mechanism (a formula multiplying weight by distance) and to offer competitive binding estimates.

Sagebrush Rebels Press On

Some 400 supporters of the Sagebrush Rebellion assembled in Salt Lake City in late November to hear speeches and plan strategy. The objective? To gain control of federal lands in the West. Speakers included Montana State University's John Baden, University of California at Santa Barbara's (and Reason Foundation trustee) Bruce Johnson, and University of Washington's Barney Dowdle, together with several western senators. Opinions were divided as to whether the land should revert to private hands or simply to state governments. The economists generally favor privatization; the politicians, transfer to other politicians.

The conference, called "Agenda for the '80s: A New Federal Land Policy," was sponsored by LASER—the League for the Advancement of States' Equal Rights, a nonprofit group set up last year in Salt Lake City. Attendees were delighted by a telegram from President-elect Reagan, in which he said he was renewing his "pledge to work for a sagebrush rebellion" so that "the states will have an equitable share of the land and their natural resources." With the changed composition of Congress, rebellion supporters have new hopes of achieving their objectives.

Deregulation Still Working

Airline deregulation continues to confound the skeptics who said it couldn't be done or, if done, would never work. Real competition in pricing and service, and free entry and exit, are here to stay, and consumers are the winners.

A good example was November's transcontinental fare increases. When chief price-cutter Eastern announced a doubling of super-saver fares in mid-November, American and United eagerly followed suit. After waiting a week, however, TWA announced much smaller increases in its super-saver fares. The other three had no choice but to back down or risk losing the market to TWA.

Also indicative is the growth of new regional airlines (besides the expansion of commuter lines). Scheduled to start up December 14 was New York Air, competing aggressively with Eastern's Air Shuttle in the New York-Washington market. The line is a subsidiary of highly successful Texas Air Corporation, a parent of Texas International. New York Air plans a quick expansion to 15 northeast and midwest cities. Next to start up will be Air International, beginning a nine-city route system between Chicago and the east coast (Newark, Philadelphia, Pittsburgh, etc.) on March 1. The line plans to focus on providing faster and more direct service to cities that have been losing big-jet service. By summer a third new line, Muse Air, expects to be airborne. Headed by Lamar Muse, the founder of highly successful Southwest Airlines, the carrier will serve about 20 cities in the Midwest and South from its base in Houston. Given Muse's competitive nature, the new airline should be an aggressive marketer.

In Europe, meanwhile, Sir Freddie Laker is appealing a British government denial of his plan for a network of 630 cut-rate air routes across Europe. Laker's proposal was turned down by British Trade Minister John Nott, on grounds that other European governments were unlikely to grant the necessary approvals and that *his* doing so would only antagonize them. Laker is taking the case to the Common Market court system.

Problems the Draft Won't Solve

In May 1980, Ronald Reagan wrote to Sen. Mark Hatfield (R-Ore.) in support of Hatfield's stance against registration for the draft. "Perhaps the most fundamental objection to the draft is moral," Reagan wrote. This and other remarks made by Reagan during his campaign have raised hopes that he will end the registration program begun under Jimmy Carter.

Harvard professor of economics Martin Feldstein and economist Kathleen Feldstein recently proposed three steps that would give Reagan both the professional military service he wants and justification for ending the registration and the draft:

- raising the level of military pay high enough to attract qualified recruits;
- structuring military pay to give higher pay to technically skilled personnel who are most susceptible to being lured away by competitive private industry rates;
- revamping the mixture of pay and retirement benefits to strengthen reenlistment incentives and dampen incentives for early retirement. These reforms will cost, the Feldsteins acknowledge, but they argue that motivated, skilled volunteer personnel are worth it. "The draft doesn't reduce the real cost of armed services," they note, "but only transfers it from the taxpayers to the draftees." Conscription is, the Feldsteins add, a hidden form of taxation.

Rockets In Libya

The private rocket launch vehicle development company that was kicked out of Zaire amidst political controversy has turned up in Libya. According to *Aviation Week*, the firm, OTRAG, has set up a launch and test site there, from which it made at least three and possibly four test launches last year. OTRAG's facility is located in the Sahara Desert 600 miles south of Tripoli. The firm is paying no rent and is receiving no financial support from the Libyan government, according to the article.

Plans call for the first two-stage launch in early 1981, a three-stage launch in 1982, and orbital launches by 1984. An OTRAG official told *Aviation Week* that the firm has signed up six options on future launches, totaling $6 million. He said the firm expects to launch an average of 12 vehicles per year between 1984 and 1990, ranging up to 10 tons in payload weight.

OTRAG was forced to leave Zaire after a

propaganda campaign orchestrated by the East German and Soviet governments. The campaign charged that OTRAG was developing cruise missiles and was really a front for the West German government (see "African Deception," REASON, July 1978). Although these charges were apparently quite false, the new arrangement with Libya has disturbed many of the company's fans.

Need More Housing? Dump Controls!

Three national study groups have concluded that the way to solve our nation's housing problems is to get rid of the plethora of regulations restricting what can be built and how it can be marketed.

The first was the 37-member Council on Development Choices for the '80s, set up last March by the Urban Land Institute with funds from the Department of Housing and Urban Development (HUD). Unless regulation is reduced, the group concluded, we're in for a housing shortage so severe as to be "the Vietnam of the 1980s." Among the panel's recommendations were to abolish both rent controls and prohibitions against condominium conversions and to cut back on zoning laws so as to (1) allow homeowners to rent out rooms, (2) permit mobile and manufactured homes in single-family neighborhoods, and (3) permit increased density and reduced setbacks so that more units can be built per acre.

The same day the Council's recommendations were released, President-elect Reagan's urban affairs task force suggested a way to implement the anti-rent control recommendation: deny federal aid to any city with a rent control law. Task force chairman Pete Wilson, mayor of San Diego, called rent control such an "egregious failure from the South Bronx to Santa Monica" that firms steps need to be taken to abolish it.

The third group consisted of 18 scholars assembled by the Pacific Institute for a conference last November in Los Angeles. Reviewing the entire housing crisis, the group recommended at least a two-year moratorium on all rent controls and other housing controls and on all zoning and land-use controls. Repeal of these interventions, they predict, would significantly increase housing supply and work to keep housing costs down. It is controls that are the source of the problem.

Outgoing HUD Secretary Moon Landrieu agrees with this assessment. In a recent talk he stated that "rent control and condominium conversion regulations not only are an intrusion on property rights, but have a chilling effect on the development of multifamily housing. The record shows that rent control discourages the production of rental units at all income levels. . . . The marketplace, not the government, should set rents." We couldn't have said it better.

Privatizing City Parks

City parks have been especially hard hit by the fiscal crisis brought on in part by the tax revolt. Across the country, however, a growing movement to privatize parks offers cities a whole new approach to dealing with the problem.

The idea of private organizations assisting the city in keeping the parks maintained is not really new: friends-of-the-park and friends-of-the-zoo societies have been around for decades. What *is* new is the scope of such activities, the involvement of large corporations, and the turning over of entire park facilities to private operation.

In Oakland, California, for example, several major firms (Kaiser Aluminum, Clorox Corp.) got involved in "adopt-a-park" programs after Proposition 13. And now the zoo society has contracted with the city to take over operation of the Oakland zoo. Recently, the New York City parks department reached a similar agreement with the New York Zoological Society. The precedent for that move was the department's success in contracting out the skating rink in Central Park. Under the department's management, the rink had been losing customers and money; in just the first year of contract operation, patronage increased and the operation showed a profit.

Private park support groups are booming in New York City. Urban Park Plazas, for example, has secured corporate support from the insurance companies fronting Madison Square Park to permit hiring a private maintenance crew to supplement the city's hopelessly inadequate efforts. As a result, the park has been restored to its former beauty after having been an eyesore for years. Several such groups are actively aiding Central Park, and Brooklyn's Prospect Park also boasts its own support group. Altogether these private organizations gave over $6 million to the city's parks over the past year (compared with a $97 million city parks budget).

LAW v FREEDOM

by Anthony Hargis

Most everyone in the liberty movement has a plan for *eventually* establishing a free market; they all require that everyone be free at the same time-whether they want to be or not. Have you any idea how long you must wait for everyone to be persuaded of freedom's advantages?

According to the standard plan for establishing a free market, you'll be dead before it happens.

If you can't wait this long or, if you really don't care whether everyone on earth wants freedom before establishing yours, perhaps the *new* and *updated* **LAW v FREEDOM** can help you. It tells you how to increase your freedom now, openly, without government loopholes and by using procedures that will be the foundation of the free market that you and we build - whether everyone wants us to or not.

READER REACTIONS to the *first* edition of **LAW v FREEDOM**

May (your books) do for statism what **Common Sense** *did for monarchy.*

W.S., Hawaii

It just blew me away.

J.S., California

I have read about Jarvis, about the Libertarian Party, Harry Browne, etc., but this is the best yet. It might just work and free the whole world with time.

C., New York

It's mind boggling.

M.D., California

To order the book, send $3.75 to:

Anthony Hargis Institute
1515 W. MacArthur Blvd. #19, Costa Mesa, CA 92626

For the future, a 10-year park recovery plan, drawn up for the city by outside consultants, recommends a major shift toward privatization—which the report terms "load-shedding." According to the *New York Times* (Oct. 15, 1980), if all the report's "radical changes" were carried out, "the department would eventually consist almost entirely of managers coordinating and overseeing thousands of projects run by private groups and concessionaires."

Welcome, Aliens

If Jerry Brown is a good indication of wind direction, immigration policy is due to change. The governor of California recently responded to a question about the illegal aliens by saying that some California industries couldn't exist without them. And support for a change in policy comes from Prof. Julian L. Simon, an economist at the University of Illinois, and T. Paul Schultz, who have prepared reports at the request of the Select Commission on Immigration and Refugee Policy, a blue-ribbon panel created by Congress. The Simon study concludes that "immigrants take substantially less funds from public service. . . than do native families from the time of entry until about 12 years later when their usage becomes roughly equal to natives." Simon adds that after two to six years immigrant families end up paying more than native families in taxes, sometimes substantially more. In addition, both studies found that immigrant children are better educated on the average and tend to earn higher than average incomes. Besides being net payers of taxes, the reports say that immigrants have very little effect on Americans in the long run.

Psychiatrists' Fallibility

Dr. Thomas Szasz must have been proud of the American Psychiatric Association when it filed a friend-of-the-court brief late last year advising the Supreme Court to prohibit the courts' use of psychiatrists as experts in predicting *future* criminal behavior. (Szasz has long railed against such use of psychiatrists and the legitimization of the "insanity" defense, temporary or otherwise.) The psychiatrists are caught in a bind: if they protest that they can indeed predict future violence, they are leaving themselves open to civil liability suits for failing to warn intended victims; if such prediction is impossible, though, then they have no business giving "expert" testimony in court predicting future criminal behavior.

The brief was sparked by outrage over the case of one Ernest Smith in Texas and the testimony given by psychiatrist James P. Grigson. Grigson is an independent consultant who has been paid as much as $67,000 in one year by Dallas County for testifying for the prosecution in death penalty cases. Some 20 persons presently on death row in that state received death sentences following testimony given by Grigson.

Grigson told a jury that Smith, an accomplice in the hold-up and murder (although he himself did not kill the victim) of a grocery store clerk, was *certain* to commit future acts of violence, based on a 90-minute conversation he held with Smith. This led the APA, representing 26,000 of the 33,000 psychiatrists in the United States, to file its brief. Smith, who was sentenced to death, is appealing the sentence.

Energy: Decontrol on the Way

One way or the other, America's energy industry is moving toward faster decontrol. To begin with, the Department of Energy released a study in November calling for greater reliance on market forces as the key to reducing dependence on oil imports. In particular, said the study, we should not wait until 1985 to end price controls on natural gas, subsidizing its use at artificially low prices. Instead, it should be decontrolled now and electric utilities encouraged—not discouraged—to use it in place of oil. Moreover, said the study, the "windfall profits" tax should be cut back, and more exploration should be allowed on federal lands.

It looked as if the DOE was simply reading the handwriting on the wall, for those were essentially the same recommendations being urged by the Reagan energy task force in its 41-page report. The task force also came out for a speed-up of licensing procedures for nuclear power plants. But it failed to call for abolishing the DOE or even for abolishing the Synthetic Fuels Corporation boondoggle.

Nevertheless, a blueprint for wiping out the DOE has been prepared and submitted to the incoming administration. Drafted by Heritage Foundation researcher Milton Copulos, the 112-page plan proceeds from the premise that the DOE is "an impediment to energy development" and contrary to the national interest. The three-phase plan would begin by dumping four of the eight assistant secretaries. Next, Congress would be asked to approve a shift of functions, killing off DOE's Economic Regulatory Administration and reconstituting the former Energy Research and Development Administration. Programs to commercialize new energy sources would get the axe, while the DOE's information-gathering functions would be shifted to other departments. The third step would be for Congress to eliminate the cabinet post of DOE secretary.

Affirmative Action in Trouble

Among the issues being looked at with the fresh eye of an administration less enchanted with the idea of Big Brother is mandatory government affirmative action programs. Several different groups have raised the issue, including the Heritage Foundation, Sen. Orrin Hatch, and an assortment of leading black thinkers and activists.

Senator Hatch introduced a constitutional amendment last September that would prohibit the federal government's affirmative action programs. A member of his staff, Steve Martin, explains this as an attempt to reaffirm the Fourteenth Amendment, to reintroduce the ideal of color blindness in hiring decisions and policies. The measure, Senate Joint Resolution 200, will probably receive attention, since Senator Hatch has become the chairman of the Constitutional Subcommittee this year.

The Heritage Foundation recently urged President-elect Reagan to consider ending those same affirmative action programs, arguing that the civil rights division of the Justice Department has become the "most radicalized" element of that department. Heritage proposes that the government further cease from advocating school busing for integration and from collecting job data by race, ethnic origin, or sex. Reagan himself said during his campaign that he opposes school busing and numerical quotas.

Reagan would find support for his stands from an increasingly vocal coalition of blacks who are disillusioned (or never believed in) the paternalistic liberal orthodoxy. Reagan aide Gloria Toote explains: "We talk in terms of entrepreneurship and reducing welfare roles simultaneously with increasing work opportunities and full employment. [But] Democrats, blacks as well as whites, still think in terms of social benefit programs from government, the handout, the dole." Economist Walter Williams questions the assumptions that proponents of government handout programs must be making about the mental competence of blacks—"saying they need the paternalism of the state when other ethnic groups did not." What do blacks need? "For government to get off our backs," says Williams. Fellow economist Thomas

Sowell makes many of the same arguments (see REASON interview, Dec.). Author Dr. Nathan Wrights, Jr., may well sum up this point of view when he argues that "black people cannot be subsidized into self-sufficiency."

Competition Not Illegal

In a major antitrust ruling, the Federal Trade Commission has decided that competitive practices leading to a large share of the market for a product does not violate the antitrust laws. The FTC made this ruling in finding that the DuPont Company had done nothing wrong in fighting hard to become the leading firm producing titanium dioxide. "The essence of the competitive process is to induce firms to become more efficient and to pass the benefits of the efficiency along to consumers," says the ruling. "That process would be ill-serviced by using antitrust to block hard, aggressive competition that is solidly based on efficiency and growth opportunities, even if monopoly is a possible result."

What's so strange about that? Only that it represents a stunning reversal of government policy. Ever since 1944 when Judge Learned Hand wrote the Supreme Court majority opinion in the Alcoa case, market domination per se has been taken as a measure of monopoly power and therefore considered illegitimate—even if obtained, as in Alcoa's case, purely by continuing technological innovation. The DuPont decision seems to be "an almost outright rejection of the Alcoa case," concedes Donald Baker, former head of the Antitrust Division of the Justice Department. All of which should be good news to America's leading technology firms—and their customers.

Milestones

• *Stevens Jailed.* New Hebrides revolt leader Jimmy Stevens (see our Sept. 1980 cover story) was sentenced to fourteen and a half years in jail and fined $30,000 for the crime of insurgency against the new Vanuatu government led by socialist Walter Lini.

• *Heroin Crimes.* Two recent studies show that drug addicts, particularly those on heroin, account for an astonishing number of street crimes annually. Some 239 heroin addicts were known to be responsible for about 80,000 criminal offenses in Miami, for instance. The addicts need to support their costly habits (about $150 a day) through such crimes. (And why is the habit so costly? Because it's illegal: by restricting supply, the government substantially raises drug prices.)

• *Judge Backs Disneyland.* Judge John K. Trotter, Orange County Superior Court judge, upheld Disneyland's right to prohibit couples of the same sex from dancing together on the park's dance floor. Two gay men had been stopped from joining the dancing couples and subsequently sued Disneyland, charging that their civil rights had been violated. Trotter ruled that the private park could set and enforce its own regulations, set up to protect the interests of other patrons. The Trotter decision will be appealed.

• *Vatican to Resurrect Galileo.* In 1633, Galileo Galilei was forced by the Dominican-led Inquisition to recant—under threat of death—his mathematical proof of Copernicus's thesis that the earth revolves around the sun, instead of vice versa. Since the early 1960s, Rev. Dominique Dubarle, a Dominican, has been attempting to get the Galileo trial reopened, and Pope John Paul II has finally agreed to do so. It is expected that the Catholic Church will officially concede that the earth does, indeed, revolve around the sun.

• *British Cable-TV.* The British government has given tentative permission for 12 cable-TV stations to operate for a period of two years in Britain—on certain conditions, naturally: that advertising is not allowed, that program schedules be submitted to the Home Office in advance, that strict limits be placed on the movies that can be shown, that exclusive rights to major events be barred, and that audience research and viewer complaints be forwarded to the Home Office. Censorship was never so delicately put.

• *3-D on Cable-TV.* SelecTV, a subscription television service in California with about 75,000 subscribers, is currently showing one 3-D movie a month to test subscriber response. Glasses are distributed through Sears, Roebuck & Co. with coupons that subscribers receive with their billing each month. SelecTV is not worried about commercial television competition, because federal regulations require networks to broadcast a clear picture, and the 3-D process involves sending out a split picture that becomes focused only when wearing the special glasses.

• *Laser Defenses.* The Defense Department is seriously looking into the technology for space-based, high-energy laser battle stations, as well as laser, particle-beam, and plasma weapons. Two firms, TRW and Hughes Aircraft, have submitted proposals saying a fully operational laser battle station could be developed and deployed by the end of the decade. The Advanced Research Projects Agency is responsible for making any recommendations to the Senate Armed Services Committee for funding to develop such systems.

• *NRC on TMI.* A Nuclear Regulatory Commission study of reported animal deformities, stillbirths, and "glowing" fish around Three Mile Island concluded that nuclear radiation did not cause the problems. Nutritional deficiencies and infectious diseases were the culprits of such problems, the NRC said.

• *Afghanistan Unity.* Former government minister Shamsuddin Majrooh, a respected 71-year-old elder, is leading an attempt to unite Afghanistan's 28 provinces and different tribes into a unified front to battle the Soviet invasion. Majrooh is trying to convene a *loya jirga,* a national council of representatives from all Afghan tribes, that would elect a president and a military commander and possibly form the basis of a new government.

• *French Minimum Wage Problems.* French economist Andre Fourcans recently wrote in the *Wall Street Journal* that his econometric analysis for the period 1969-77 clearly shows that "everything else being equal, the minimum wage increase appears to explain from 60% to 85% of the jump we [France] experienced in the unemployment rates for young males and females between 1973 and 1977." The minimum wage floor was raised by 285 percent during those years, while the consumer price index increased by 141 percent.

• *Car Quotas and Competition.* A recent *Washington Post* editorial dittoed the US International Trade Commission's recommendation not to protect the American auto industry from car imports. The *Post* blamed the US car companies' economic woes on their failure to produce smaller cars as quickly as foreign markets did, and opined that "Economic growth in a competitive, open market offers the American automobile makers far more than any import quotas can."

• *Banking Protectionism.* A Senate Banking Committee staff report criticized the Office of the Comptroller of the Currency for being "more interested in protecting existing banks during [the 1970s] than in promoting competition and meeting the banking needs of the public." Sen. William Proxmire said he plans to hold hearings this year on legislation to alter federal bank-chartering statutes. The report was based on a review of nearly 1,000 chartering decisions between 1970 and 1977.

• *Intermodal Ownership Okayed.* Sen. George McGovern (D-S.D.), of all people, added a provision to the recently passed rail deregulation bill allowing railroads to acquire trucking subsidiaries to haul freight betwen main rail lines. A small catch though: affected shippers must approve.

—Robert Poole, Jr., and Christine Dorffi

LOVE CANAL

The Truth Seeps Out

BY ERIC ZUESSE

Photo by Eric Zuesse

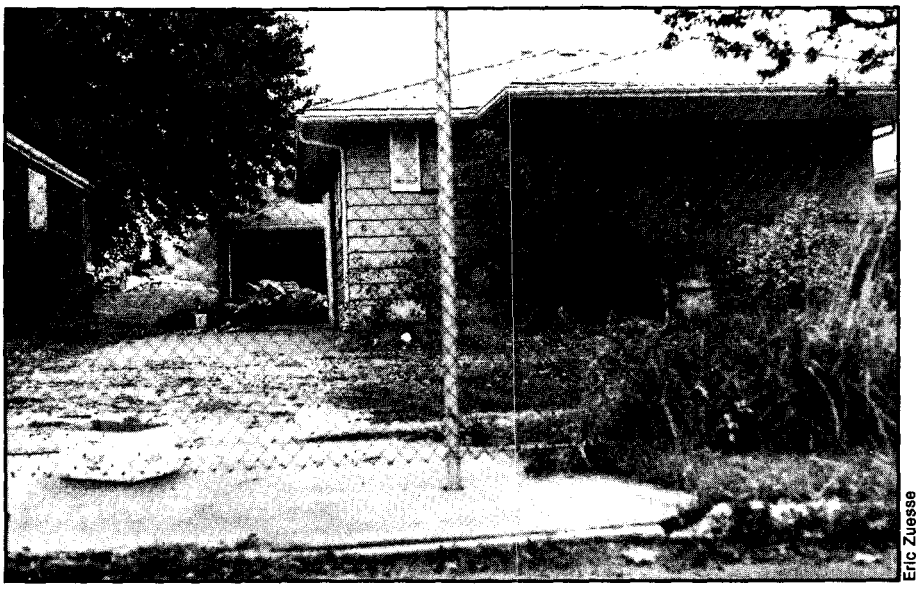
You're about to be untricked. If you believe that the guilty party in the Love Canal tragedy is the Hooker Chemicals & Plastics Corporation, which the Justice Department is suing, rather than the Niagara Falls Board of Education, which bought the dump from Hooker in 1953; or if you believe that Michael Brown's famous book that has become the popular authority on the whole mess, *Laying Waste: The Poisoning of America by Toxic Chemicals,* sets out the truth, the whole truth, and nothing but the truth about

Love Canal, then you've been snookered. In fact, as I'm going to show, hardly ever has there been a more blatant example of Big Brother successfully hiding the skeletons in his closet or of a gullible investigative reporter and compliant major media going along with the cover-up so that a bunch of bureaucrats can pass the buck to some bewildered private interest. The irony is that the target of this particular smear, Hooker Chemicals, may very well have botched others of its many chemical dumps, but not Love Canal, the very site that has brought the company so much adverse publicity and a flood of government and private lawsuits.

I first suspected that something might be wrong with the press reports about Love Canal—I had not yet read Michael Brown's book—when I noticed that only passing mention was being made of the fact that the Niagara Falls Board of Education has owned the site since 1953. Twenty-plus years after Hooker deeded the property to the Board, the Canal is seeping huge quantities of poisonous chemicals. These toxic substances have been down there a long time, I thought. Why are they percolating up only after such a long sleep? Could something have disturbed the chemicals buried there? Or was the oozing inevitable? Had Hooker unloaded the property on the School Board back in the '50s, hoping to avert the very claims for damages now being pressed against it?

My curiosity sparked, I obtained a copy of the Love Canal deed. It opens: "This Indenture [is] made the 28th day of April, Nineteen Hundred and Fifty Three, between Hooker Electrochemical Company...and the Board of Education of the School District of the City of Niagara Falls, New York," which would, "in consideration of One Dollar" paid to Hooker, receive title to the described property. The kicker is the deed's closing paragraph:

> *Prior to the delivery of this instrument of conveyance, the grantee herein has been advised by the grantor that the premises above described have been filled, in whole or in part, to the present grade level thereof with waste products resulting from the manufacturing of chemicals by the grantor at its plant in the City of Niagara Falls, New York, and the grantee assumes all risk and liability incident to the use thereof. It is therefore understood and agreed that, as a part of the consideration for this conveyance and as a condition thereof, no claim, suit, action or demand of any nature whatsoever shall ever be made by the grantee, its successors or assigns, against the grantor, its successors or assigns, for injury to a person or persons, including death resulting therefrom, or loss of or damage to property caused by, in connection with or by reason of the presence of said industrial wastes. It is further agreed as a condition hereof that each subsequent conveyance of the aforesaid lands shall be made subject to the foregoing provisions and conditions.*



Eric Zuesse

Boarded-up house near Love Canal

So Hooker had shifted to the Board "all risk and liability incident to the use" of the property. In addition, the deed specified that the future owner(s) of the property could not make any claims against Hooker for injury or death or property damage arising even from "the *presence* of said industrial wastes." It's not surprising that Hooker would have wanted this shift of liability incorporated into the deed. After all, it had made clear that these "waste products resulting from the manufacturing of chemicals" could cause not only property damage but "injury" and "death." That's pretty dangerous stuff.

Looked at one way, these provisions would seem to indicate that Hooker had been quite anxious to unburden itself of responsibility for this property. On the other hand, since the first condition, assumption of liability for use, only makes explicit what normally accompanies any property exchange, and since the second would protect Hooker only from claims made by the Board and subsequent owners, and not from claims by third parties, it would seem that these provisions are more in the nature of a warning. By incorporating them into the deed, Hooker had provided clear notice, recorded for all time, that its use of this property had been such that any future owner would have to take care to use it in a safe manner so as to avoid causing harm.

Certainly the last sentence in the indenture must be interpreted in this way. Not only the School Board but "its successors and assigns"—any future holder of the property obtaining rights to the Canal after or from the Board—had already been drawn into the shift of liability. So why add the closing sentence, about "each subsequent conveyance of the property"? The concern seems to have been with preventing catastrophe to innocent third parties by making sure that, down through all future generations, whoever obtained this property would be warned that it contains dangerous chemicals and reminded of the corresponding obligation to use it in a manner reflecting this hazard. So the inclusion of that last sentence in the deed doesn't fit in very well with the ruthless and negligent attitude I'd been led by most press accounts to

believe that Hooker has been displaying in the Love Canal matter.

Ruthless and negligent? As I was subsequently to learn, Hooker had evidently been so concerned that the Board know what it was getting in taking over the Canal that the company had not left to chance whether School Board officials would physically inspect the property prior to acquiring it. Instead, Hooker had escorted them to the Canal site and in their presence made eight test borings—into the protective clay cover that the company had laid over the Canal, and into the surrounding area. At two spots, directly over Hooker's wastes, chemicals were encountered four feet below the surface. At the other spots, to the sides of the Canal proper, no chemicals showed up.

So whether or not the School Board was of a mind to inspect the Canal, Hooker had gone out of its way to make sure that they *did* inspect it and that they did see that *chemicals* lay buried in that Canal. Yet the subsequent behavior of the School Board would lead the casual observer to conclude that its members never knew the facts about the property they were acquiring.

I decided to try to talk with some of the people who sat on the Board during the key years of 1952 through 1957 and so had first-hand knowledge of the events. In the latter year, the Board was debating whether to sell portions of the Love Canal to real estate developers; Hooker officials came to the Board meetings to urge that these sales not be consummated. For this and other reasons, 1957 served as a turning point in the history of the Love Canal—the beginning of its precipitous slide into becoming a hell-pit.

I introduced myself to the first former member of the School Board I'd managed to track down and get on the phone, Peter Longhine, by saying that I was a reporter who wished to speak with someone with first-hand knowledge of the Board's transactions with Hooker. That's all—I made no mention of courts, legal liability for Love Canal, or anything even remotely threatening. But Longhine would say only:

I don't want to get involved in giving any court testimony. It's better to let sleeping dogs lie. But I can tell you one thing—the Board of Ed didn't do anything wrong. Anyway, we don't have any legal responsibility for it.

This seemed to me an odd reaction, considering that I had just introduced myself and had not suggested even remotely that the Board of Education was in any way culpable, much less legally liable.

I got another former School Board member on the phone, Dr. Robert Brezing. This time, I wasn't even able to finish my introduction. He abruptly hung up the phone, and I found myself trying to protest to a dial-tone. Now I knew that something was fishy. I packed my bags, camera, and cassette recorder and left for Niagara Falls.

The first thing that struck this newcomer about the town of Niagara Falls was how very normal the place is. Because of its famous namesake falls, I had expected the town itself to have a character different from your typical American small city, but that's just what the place turned out to be. The people, I found, are pleasantly friendly and open, and if there is a wrong side of the tracks anywhere to the right or left of Main Street, it's hard to find.

"It's better to let sleeping dogs lie," a former Board member told me. "But I can tell you one thing—the Board of Ed didn't do anything wrong."

Visually, it would perhaps be more accurate to describe Niagara Falls not as a small city so much as an endlessly sprawling suburb of 75,000 people without a core city. There are only two commercial streets, Main and Pine, both of which intrude upon otherwise uninterrupted expanses of suburban-style houses, which extend row upon row on each side of the two chief thoroughfares. In any event, whether it's seen as a town or merely as a suburb without a city, Niagara Falls struck me as a singularly odd kind of place to serve as a bellwether for the souring of America's dream of an insect-free plasticized world—"better living through chemistry," to quote the commercial from DuPont. There's an irony to this place: on the one side of town is the eternal majesty of nature grandly displayed in the water tumbling over the Niagara escarpment; across the city stands a stark symbol of the incompetence and perhaps greed of man—the acrid fumes and boarded up houses along the periphery of the now-infamous chemical ditch.

But as it turns out, that festering blister of the industrial age known as Love Canal isn't quite as incongruous a fixture in Niagara Falls as it might seem at first blush. You don't have to be around this place long but you'll hear about how the local economy was built even more upon the chemical industry than upon tourism. Back in the 1950s, the locals will tell you, the putrid air from the industrial stacks made the eyes and lungs continually smart. The smog was so bad that the city was recognizable from an approaching plane by the dark grayish-brown cloud of pollution that blanketed the earth below.

Of course, this was in an era when *conservation* meant leaving the wild bears alone, *nutrition* meant "fruit, cereal, milk, bread, and butter," and *pollution* was a term that only communists, oddballs, or crazy people ever used. Niagara Falls considered itself fortunate back then to be one of the capitals of the world's chemical industry. The townspeople felt proud to be in the vanguard of the coming technological society. When the Atomic Energy Commission handed out awards to Niagara Falls chemical plants for work on radioactive substances, it made page-one headlines in the local newspapers. Chemical row along Buffalo Avenue, which skirts the southernmost edge of town bordering the Niagara River, was not only the Falls area's chief source of employment but also a source of considerable civic pride.

Now, however, the long-anticipated chemical future has at last come to the world, and a lot of people

in Niagara Falls are finding that they don't like it. The theory used to be that industrial wastes need only be shoved under the rug and they would be gone. Out of sight was out of mind. But as events at Love Canal and elsewhere were ultimately to make clear, today's far-away rural chemical dump is tomorrow's suburb, where you may someday live and where your children may end up going to school.

Of course, many people don't care about tomorrow and never did. According to the popular wisdom, this kind of dangerous shortsightedness is an attribute of private businesses more than of governmental bodies, and this perception has colored the way the Love Canal story has been reported. But my own investigation shows that this popular interpretation of the Love Canal tragedy is 180 degrees off.

Back at the turn of the century, an ambitious entrepreneur by the name of William Love envisioned building a huge hydroelectric project in the Niagara Falls area. Thomas Edison had just harnessed the force of electricity; but because the state-of-the-art allowed only for transmission by direct current, which was uneconomic over long distances, industries had to be located near the source of electrical generation. Love planned his hydroelectric canal project as a means of supplying this electrical power to nearby industry and even dreamed that his "Love's Canal" would become the basis for a booming model city. But the economic recession of 1894 and Nikola Tesla's pioneering system of alternating current, which facilitated transmission of electricity over long distances, combined to bankrupt Love's canal after only short segments of it had been dug. The 3,200-foot-long section that Hooker started filling with waste chemicals in 1942 has now come to be known internationally as *the* Love Canal.

Hooker says that it chose the site because the soil characteristic of the area—impermeable clay—and the sparse population surrounding the Canal at the time made the pit outstandingly suitable for disposing of dangerous chemical wastes. The customary practices then were to pile up such wastes in unlined surface impoundments, insecure lagoons, or pits, usually on the premises of the chemical factory, or else to burn the wastes or dump them into rivers or lakes. Except for disposal into water supplies, these practices were all legal until 1980, when the Environmental Protection Agency began issuing regulations implementing the Resource Conservation and Recovery Act of 1976. The EPA estimates that 90 percent of chemical wastes are currently being disposed of in ways that do not meet its proposed standards (controlled incineration, treatment to render the waste nonhazardous, secure landfills, or recovery). An attorney I spoke with from the New York State Department of Environmental Conservation told me that "at least 50 percent of chemical waste dumping [in that state] is contracted out to organized crime." If true, however, such was not to be the case with Love Canal.

Hooker in 1941 began studies of the suitability of using the Canal as a chemical dump. The findings were affirmative, and by April of the next year the company completed the legal transactions to commence dumping what ultimately amounted to approximately 21,800 tons of the company's waste before the Canal property (which included a strip of land on either side of the Canal) was donated by Hooker to the Niagara Falls Board of Education in 1953, under pressure from the Board that if Hooker didn't willingly deed the land the property would be seized under eminent domain for the building of a school.

It's also worth noting here that other wastes besides these 21,800 tons from Hooker have apparently been dumped into the Canal. According to New York State officials, federal agencies, especially the Army, disposed of toxic chemical wastes there during and after World War II. The city of Niagara Falls also regularly unloaded its municipal refuse into this Hooker-owned pit.

There were two reasons why the School Board wanted to acquire Hooker's Love Canal property. One was that the postwar baby boom had produced a need for construction of more schools, and virtually every available open lot of suitable size was being eyed voraciously by the Board of Ed's Buildings and Grounds Committee for possible construction of new schools. The other was that since the area was not built up (one of Hooker's reported criteria for the site's suitability), land prices around this dumpsite were low, and the Board was strapped for cash. On October 16, 1952, the very same day that Hooker sent a letter to the Board of Education agreeing to donate the Canal property for the token price of $1.00, the Board itself recorded, in its minutes for that evening's meeting, that "a communication was received from the Niagara Falls Teachers Association stating that teachers are becoming more and more uneasy because of their uncertain financial prospects."

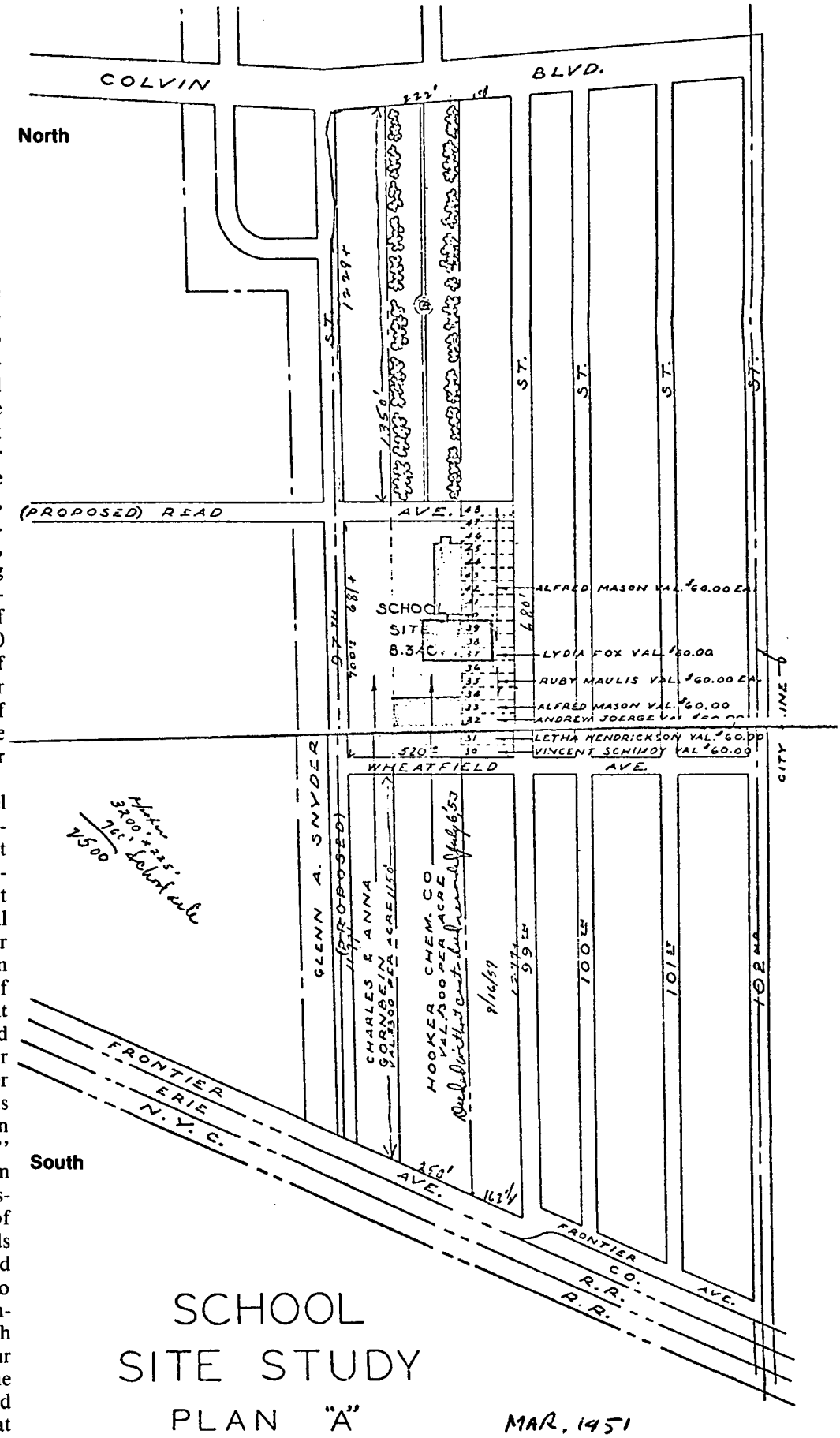
Looking over the School Board minutes from the early '50s, one notes two concerns that dominated and practically obliterated all others: construction of new buildings, and overcoming the monetary shortage. There is no indication that any long-term consequences were being thought of; the attitude seems to have been that the future could take care of itself. For example, the 99th Street School, which was built beside Love Canal, was being planned by the School Board simultaneously with the planning for another, the 66th Street School; and the *Niagara Gazette* reported on September 13, 1978, that high radiation had been found at that other location. It turns out that this school also may have been built upon a former dumpsite. The Board of Ed's deed to the site (donated by the federal government) refers to the presence of radioactive substances.

The negotiations that culminated in Hooker's transfer of the Love Canal property to the Board of Education took place over a period of several years. The contemporary documentary record is very sparse, consisting of three perfunctory letters and the deed itself. Virtually all of the negotiations were verbal rather than written.

One thing, however, is clear: according to the School Board's own records, the Board was already well along in its planning of the 99th Street School more than two years

before Hooker deeded the Canal to the Board. And the Board meant business. It was gearing up for a string of condemnation proceedings for the Canal site and all properties abutting it. First, there's a map, dated March 1951 and labeled "School Site Study Plan A" (Plan B was for the 66th Street School). This map not only shows the projected school being built right over the very center of the Canal itself but also shows the assessed condemnation values for the Canal property and each of the properties bordering it. Then there are two letters from the School Board's attorney, Ralph Boniello—one dated September 4, 1952, informing the Board's business manager, Frank Lang, that procedures were under way to purchase four lots abutting the Canal; the other dated September 19, 1952, addressed to Mr. Carmen J. Caggiano and sent registered mail, return receipt requested, informing Mr. Caggiano that since he had refused the Board's "price offered of $10 per front foot" for the strip of 10 lots he owned along the east side of the Canal, "The purpose of this letter is to apprise you of the institution of an action in condemnation to acquire the above-described property for educational purposes."

According to reporter Michael Brown, in his book and other writings, the School Board's attorney at the time denies that the threat of property condemnation was ever held out against Hooker for the Love Canal site. Brown neither questions nor documents this. Yet when Hooker, in 1957, addressed to the president of the Board of Education a letter that was read out loud and passed around at the Board's meeting on November 21 of that year, and when that letter recalled that in 1952 Board officials had threatened "that condemnation proceedings might be resorted to," there wasn't a peep of protest from any Board member or official present—not from Wesley Kester, head of the Board's Buildings and Grounds Committee in 1957, who had served in the same capacity in 1952 and so must have been very prominently involved in the negotiations with Hooker at the time; not from Arthur Silberberg, another member of the same committee who had also served in the same capacity throughout that



period with the Board; not from Frank Lang, a Board member who had served as manager of business affairs throughout the period and was always involved in such matters as property condemnations; not from William Small, who was superintendent of schools throughout the period and who had personally accompanied Hooker's executive vice-president, Bjarne Klaussen, to Love Canal in March 1952 when the test-holes were bored into the clay cover over the Canal and into the surrounding area to check for chemical leakage; not from the Board's attorney, William Salacuse, who had been its president back in 1952 and who had also been present at that test at the Canal site; not from anyone at all, though the printed minutes of that evening's Board meeting make conspicuous mention of this letter from Hooker.

One might wonder why Hooker deeded the property to the School Board for $1.00 rather than let it be condemned and seized under eminent domain. After all, condemnation would clearly have freed the company from future liability for the chemical dump, saving Hooker the trouble of spelling out such matters in the deed.

Hooker claims that it had wanted any future propertyholder there to know of the dangerous chemicals and that it had therefore agreed to donate the property, subject to the Board's recognition that, to quote Hooker's letter of October 16, 1952, to the Board, "in view of the nature of the property and the purposes for which it has been used, it will be necessary for us to have special provisions incorporated into the deed with respect to the use of the property and other pertinent matters." Had the land been condemned and seized, says Hooker, the company would have been unable to air its concerns to all future owners of the property. It is difficult to see any other reason for what it did.

The School Board, however, ultimately refused to accept the special provisions proposed by Hooker concerning the use of the property. Hooker wanted to require that the donated premises "be used for park purposes only, in conjunction with a school building to be constructed upon premises in proximity to" them. And it wanted the Board to agree that, should the property ever cease serving as a park, title to it would revert to Hooker. Instead of these restrictions, which the Board rejected, the company had to settle for the liability provisions and warnings in the last paragraph of the deed hammered out in meetings between Hooker and Board representatives.

On April 28, 1953, Hooker's secretary and general counsel, Ansley Wilcox—the same man who later, as the company's vice-president and general counsel, was to be the author of the letter read out at the meeting of the Board of Ed on November 21, 1957—submitted to the Board the final draft of the deed. Nine days later, the Board's attorney, Mr. Boniello, wrote to the Board that, because of the provisions contained in the deed's closing paragraph, "In the event that the Board shall accept this deed, it is my opinion that there is placed upon the Board the risk and possible liability to persons and/or property injured or damaged as a result thereof arising out of the presence and existence of the waste products and chemicals upon the said lands referred to in the said deed." In short, the Board's own attorney at the time was emphasizing to his client that if it were to accept the Canal it would be getting as part of the package liability for personal and property damage, as ultimately happened to homeowners in the area surrounding the Love Canal.

According to the School Board's own records, the Board was already well along in its planning of the 99th Street School more than two years before Hooker deeded the Canal to the Board.

Nonetheless, on May 7, 1953, the Board voted unanimously to accept the deed. Similarly, the Board had voted unanimously to accept the deed to the site of the 66th Street School; that deed's reference to radioactivity at the site served as no deterrent either. Both sites, incidentally, had already, on December 30, 1952, been approved by the Niagara Falls Planning Board.

In August 1953, before construction work had begun on the school, the Board voted (unanimously) to remove 4,000 cubic yards of "fill from the Love Canal to complete the top grading" at another school, on 93rd Street, whose construction was already well under way. This school, like the one on 99th Street nearby, is now closed down because of public concerns about the school children's exposure to chemical waste residues.

On January 21, 1954, the Board approved the removal of 3,000 more cubic yards of fill from the Love Canal. On the same date, the architect for the 99th Street School wrote to Board member Wesley Kester, chairman of the Buildings Committee, saying that

> *the General Contractor...hit a soft spot in the ground. This turned out to be a filled drain trench which gave off a strong chemical odor. Upon further investigation the excavator made contact with a pit filled with chemicals and immediately stopped work in this area. The General Contractor contacted one of his employees who formerly worked on this property for one of the former owners. From this man we learned that...these pits were filled with chemical waste, some of which was in 55 gallon drums.*

Suggesting that these chemicals "might be a detriment to the concrete foundations," the architect advised soil tests with a view toward possible "revisions of building location," and the building was shifted 30 feet eastward.

When the *Buffalo Courier-Express,* in the wake of the recent recognition of chemical seepage in the Love Canal area, interviewed the architect about this in 1980, he "said the records indicated only 'poor soil conditions' as the reason for the move." The newspaper's reporters didn't say that this was a gross understatement, apparently because they had never gone to the Board of Edu-

cation to see the letter from which I've just quoted, which shows that the records indicate a lot more than just "poor soil conditions."

A set of architect's plans dated August 18, 1955, reveals that another 10,000 cubic yards of soil were to be removed from the top of the Canal in order to grade the surrounding area. Part of the area from which this soil was to be scooped out had been filled with Hooker's wastes. The grading was executed as shown in these plans. Later in the year, the Buildings and Grounds Committee donated some of the property immediately surrounding the school to the city so that streets and sidewalks could be paved. (The school building had been completed and its doors opened to 500 students in February 1955.)

On June 25, 1956, the architect wrote to the contractor for the school's playground, changing the location of the kindergarten play area "so as not to interfere with the apparent chemical deposit" and informing him that "this revision has been approved by Dr. Small, Superintendent of Schools." In an October report on this contractor's work, the architect reiterated that "these changes were discussed with school authorities" and had been made "because a chemical dump occurred at the originally located play area." The architect further pointed out that "these chemical pits are continuously settling."

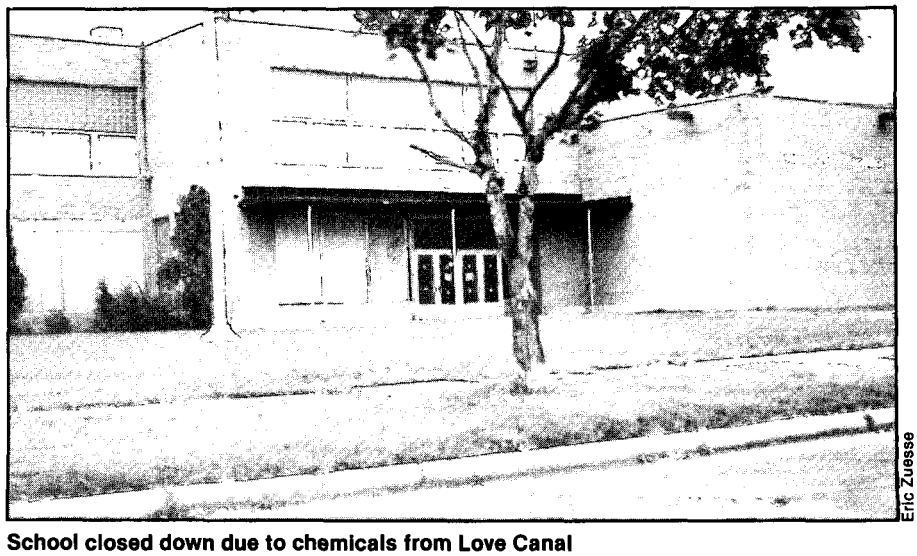
The whole character of this correspondence between the architect and the Board and contractors is in the manner of a somnambulist executing his accustomed routines, as in a deep, quiet fog that is never interrupted by the sound of the 55-gallon drums clanking around in the pits. One would be led to believe that they had signed the Love Canal deed with their eyes closed and their ears shut. The superintendent of schools approved relocation of the play areas so as to avoid "chemical deposits" and "chemical pits" and never once took it upon himself to advise the architect that more was at stake here than "detriment to the concrete foundations" due to "chemical pits...continuously settling." It is evident that the architect had never seen the deed. He and the contractor had to *discover* that this place had once been a chemical dump. The superintendent *knew* that it had been; he had been present at the drilling of test holes at the site; he had read the deed but evidently never imparted any wisdom therefrom to the architect or the contractor. He didn't tell them, for example, about the danger of injury or death.

The Board was finally jarred awake in November 1957. The precipitating event was a proposal from two developers who owned land on another site that the Board was hungrily eyeing. The developers had suggested a trade whereby they would have gotten chunks of the Love Canal property in return for their properties plus some cash. The deal would have netted the Board $11,000, and Wesley Kester and the rest of the Buildings and Grounds Committee were strongly in favor of it. But Hooker got wind of the proposal and was just as strongly opposed.

Hooker sent its attorney, Arthur Chambers, to attend the meeting of the Board on November 7. As reported in the *Niagara Gazette* the next day, Chambers admonished the Board of Education that it had "a certain moral responsibility in the disposition of the land."After reminding the Board that chemicals were buried under the surface, he explained that this "made the land unsuitable for construction in which basements, water lines, sewers and such underground facilities would be necessary." He referred to "negotiations at the time the land was deeded to the board," in which Hooker had urged that it be used only for surface constructions or parks. According to the Board minutes from that evening, Mr. Chambers conceded "that his company could not prevent the Board from selling the land or from doing anything they wanted to with it," but he made clear Hooker's "intent that this property be used for a school and for parking. He further stated that they feel the property should not be divided for the purpose of building homes and hoped that no one will be injured."

The head of the Buildings and Grounds Committee, Wesley Kester, was furious. According to the article in the *Niagara Gazette,* he spluttered, "The land is a liability to us. There's something fishy someplace. Now they tell us it shouldn't be used." The battle lines were now clearly drawn.

Hooker was determined to prevent, if it could, the selling of this land to subdividers. The showdown came at the Board meeting of November 21. Arthur Chambers again made his appearance, this time reinforced with a lengthy letter from the company's vice-president, Ansley Wilcox, in which the Board was reminded in no uncertain terms of the details of the mostly verbal negotiations and unwritten promises that had preceded the transfer of this property to the Board more than four years earlier. In addition, Hooker's position on the proposed sale was again stated. According to the Board minutes, "They



Eric Zuesse

School closed down due to chemicals from Love Canal

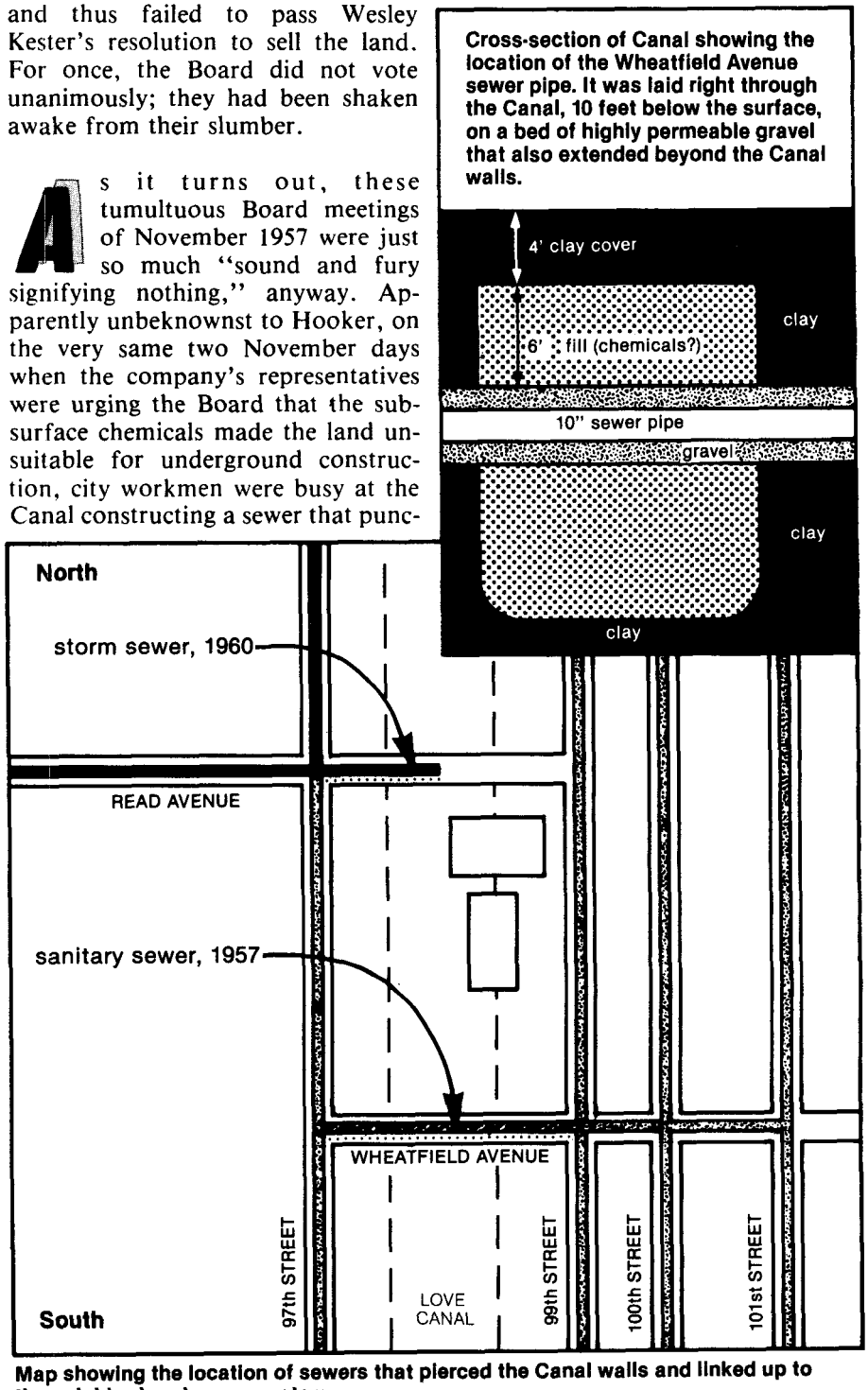
feel very strongly that subsoil conditions make any excavation undesirable and possibly hazardous." As the *Niagara Gazette* quoted him the next day, Chambers told the Board, "There are dangerous chemicals buried there in drums, in loose form, in solids and liquids." The *Buffalo Courier-Express,* too, referred to Chambers's speech about this "chemical-laden ground."

But perhaps the deciding factor in the Board's ultimate vote wasn't the address by Arthur Chambers so much as the letter from Ansley Wilcox. Now even Wesley Kester's memory was refreshed. One no longer heard from him, "Now they tell us...," since, as Wilcox pointed out, they'd told it all before.

As I stated earlier, Wilcox's letter was being heard this evening by an audience that included, besides Kester himself, other key people on the Board who had been involved in the negotiations with Hooker during 1952 and 1953. It contains the most thorough recounting of these negotiations on record anywhere, and the officials present protested not a single item in Hooker's recounting—not that Hooker had been approached by Dr. Small and other representatives of the Board in the interest of acquiring the property; nor that Hooker had "explained in detail to Dr. Small the use which we were making of the property"; nor that Hooker had expressed its reluctance "to sell the same, feeling that it should not be used for the erection of any structures"; nor that the School Board was nevertheless "so desirous of acquiring the same" that its representatives had brought up the option of condemnation proceedings; nor that Hooker had then agreed to donate the property subject to certain restrictions upon its use; nor that Hooker had proposed and the Board had refused to agree that the Love Canal property be used "for park purposes only" and that the school building be constructed only on premises "in proximity to" the same; nor that any of these events had transpired in the way described, which indeed made Hooker look like the opposite of the negligent and shortsighted company it is now widely thought to have been. In fact, as evidenced by Wilcox's letter, Hooker was adamant in its long-range view, noting "that even though great care might be taken" in development of the property, "as time passes the possible hazards might be overlooked /and/ injury to either persons or property might result." (See p. 29 for full text of letter.)

The Board's vote that evening was practically unprecedented. They split 4 to 4, with one member abstaining, and thus failed to pass Wesley Kester's resolution to sell the land. For once, the Board did not vote unanimously; they had been shaken awake from their slumber.

As it turns out, these tumultuous Board meetings of November 1957 were just so much "sound and fury signifying nothing," anyway. Apparently unbeknownst to Hooker, on the very same two November days when the company's representatives were urging the Board that the subsurface chemicals made the land unsuitable for underground construction, city workmen were busy at the Canal constructing a sewer that punctured both of its walls and the clay cover. From September through December 1957, work was in progress on this sanitary sewer between 97th and 99th streets beneath Wheatfield Avenue, a soon-to-be-paved street that lay right across the middle of the Canal property. This sewer pipe was laid 10 feet below the surface, on a gravel bed, and covered with gravel, providing a highly permeable violation



Map showing the location of sewers that pierced the Canal walls and linked up to the neighborhood sewer system

of both Canal walls. Any loose and liquid chemicals buried in this part of the Canal could now escape, flowing along the gravel sewer-bed not only under Wheatfield but also under 97th and 99th streets, and so throughout the neighborhood. To top this all off, a manhole was dug from the top of the Canal down through the fill to this sewer system 10 feet below the surface.

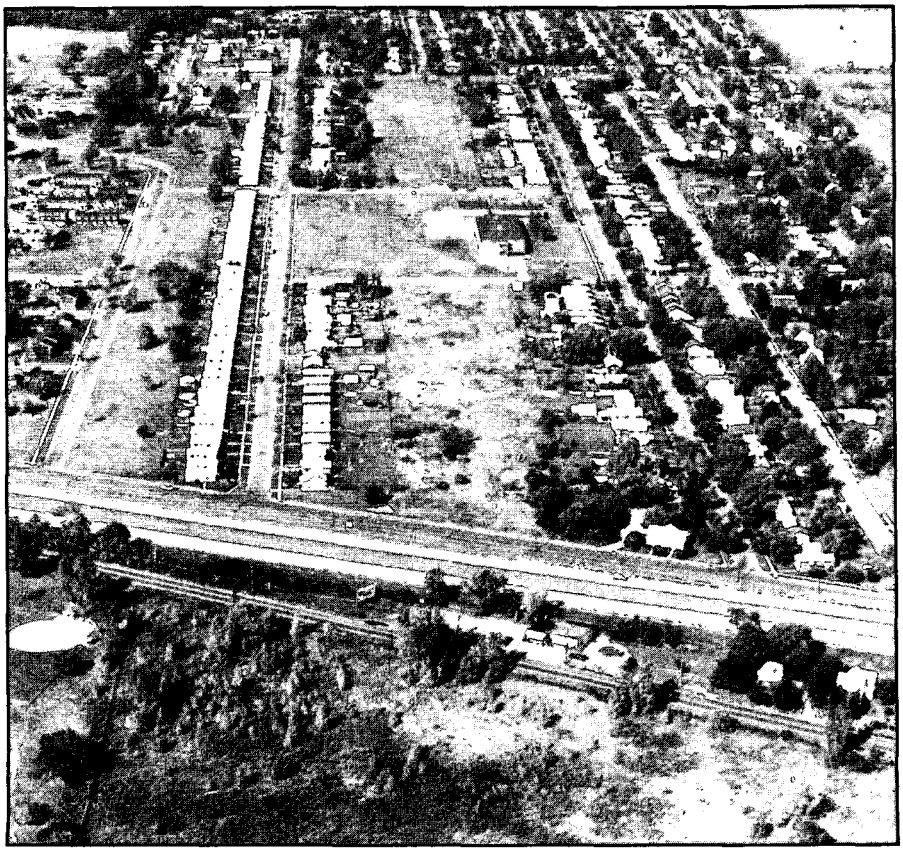
Whether or not any of Hooker's chemicals were in fact buried in this part of the Canal is not clear from public records. Hooker says that its practice was to fill various parts of the Canal, creating an earthen dam with clay, pumping out the standing water, dumping waste to within four feet of the surface, then covering the section with clay. From Board of Education maps indicating the approximate location of Hooker and city wastes in the Canal, and another map showing the location of streets and the 99th Street School, it can be estimated that Wheatfield Avenue crossed over the Canal at a spot just south of a Hooker dumping area. It is doubtful, however, that these maps are precise enough to make a positive determination. One of them carries a notation showing that the Hooker dumping spot in question—the same one that, by the same approximations, would have been invaded at its northern end during construction of the school building—was used by Hooker to dispose of "fly ash, trash, and HG1 spent cake," the latter, according to a Hooker spokesman, being an abbreviation for lindane (a chlorinated hydrocarbon pesticide more toxic than DDT).

Whether or not this sewer was laid through Hooker chemicals, however, one thing *is* clear from the record: Hooker was opposed to *any* construction through *any* part of the Canal, precisely because of such risks. And work on this sewer system was being done by the city of Niagara Falls at the same time as the warnings that such construction was "dangerous," "injurious," and not "safe" were appearing in the local newspapers. But nobody made the connection; it is as though the printed word had not existed. The sleepwalkers kept bumping around in the night. Hooker was protesting into an abyss; no one was there who would hear and who would make connections between the real world and the printed warnings. Yet now Hooker is being excoriated.

This marked the first time in history that the Canal walls had been penetrated. Maps in the city engineer's office show that there were no sewers into the Canal before this one. But another was soon to be built. This was a storm sewer, under Read Avenue. It was put in between May and September 1960 and penetrated only the west Canal wall, running from a catch basin sunk into the Canal, out to 97th Street. Again, the sewer-bed was gravel.

The drawings of these sewers are available for public inspection at the office of the city engineer in the town hall. One member of the public who, it seems, never cared to look at them—nor at the voluminous printed records and correspondence regarding Love Canal that are also available at the Board of Education—is Michael Brown, the author of the Pulitzer-prize-nominated book on the subject of waste dumping.

In addition to these publicly recorded breaches of the Canal walls, there were two other, though lesser, man-made incursions upon the surface of the Canal: one a French drain that the School Board had placed around the school, the other an illegal catch basin put in by a 97th Street homeowner. Both of these were noted by Stephen Lester, who, under the auspices of the New York State Department of Transportation, served as a consultant to Love Canal area residents during remedial work on the Canal. Of course, like the sewers put in by the city, Hooker had nothing to do with these constructions.



Aerial view of the area shown on p. 24 (1978)

Following Hooker's successful defeat of the Buildings and Grounds Committee's proposal to sell Love Canal property to developers in 1957, the Board sought every means possible to transfer liability for the property to somebody else. They wanted to dump the Canal like a hot potato. First, they tried to palm it off onto the local Junior Chamber of Commerce for a playground area. But the Jaycees wouldn't move ahead without liability insurance, which, it seems, no firm was willing to supply. So that

deal fell through. Then, on June 2, 1960, the Board "dedicated to the City" the section of Canal property that lay north of the school. Hooker's restrictive provisions were included in the deed.

All that remained to unload now was the southern section. This was put up for public auction in December 1961. On the bidding sheet was duly imprinted the last paragraph of the deed from Hooker, with all those ghoulish warnings, and with one revealing addition: the indemnification clause to protect Hooker was now expanded with the mention also of the Board of Ed, so that the Board would pass liability along with the property. The difference this time was that the new owner would be receiving the property in dangerous condition and, in spite of the warnings in the deed, without any mention of all of Hooker's admonitions concerning suitable use of the property.

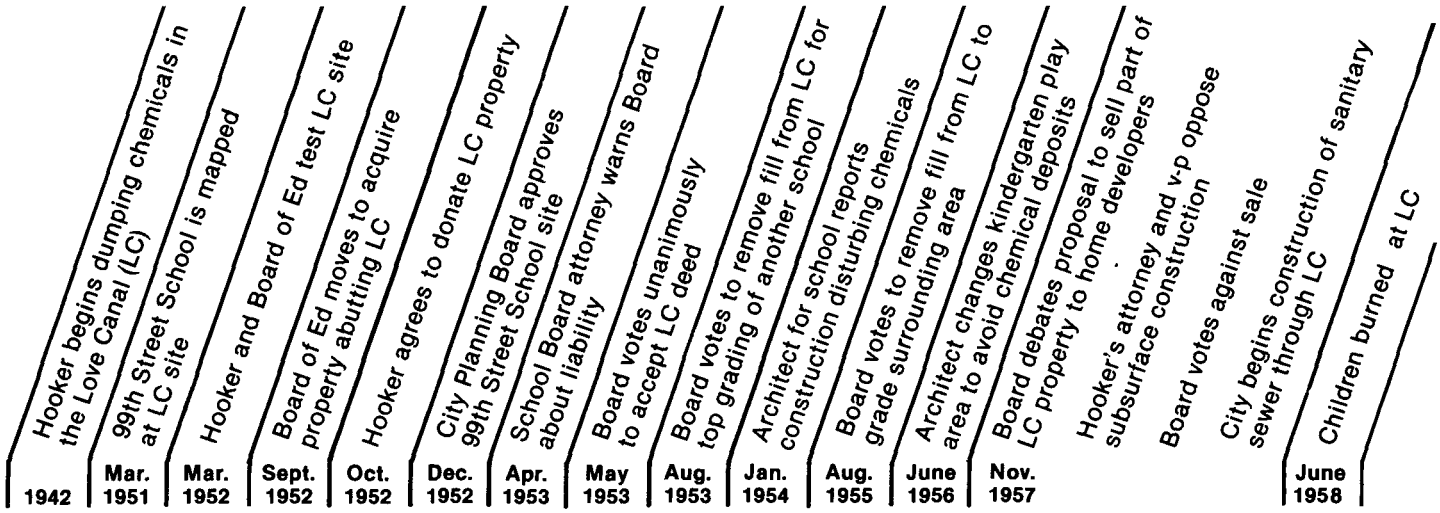
When the sole bid was opened, the Board found that they had been offered $1,200, which they voted, unanimously, to accept. The fellow who bought the land—a former firefighter, now a motel-keeper, by the name of Ralph Capone—ended up paying $5,400 in local paving assessments and $1,500 in property taxes, even though the city, every time he tried to get a building permit to develop 50 or so houses, confronted him with regulations that, as he later put it, "would have cost me millions." Then in 1972 the city ordered him to do $100,000 worth of work on his plot "to correct... strong chemical odors permeating from ground surface" and to alleviate "potentially hazardous conditions" there. Finally, after spending a total of $13,000 on the property, he gave up in 1974 and sold this bundle of headaches to a friend for $100.

Capone says that when he bought the property for $1,200 he had considered himself lucky. The release clause on the bidding sheet and in the deed had struck him as having been just so much lawyerese, hardly meriting a second wink. As he recently put it, in an interview with the *Niagara Gazette*'s Paul Westmoore, "Back then I never would have believed a public body would have sold land it felt was dangerous." In fact, however, the Board had known quite well what it was selling; and the minutes of the Board, under the date of January 4, 1962, show the following reaction to Capone's bid: "Three members of the committee visited this plot of land on 99th Street and checked from one corner to the other. We all agreed that, if we could sell the property, it was the thing to do."

"Three members of the committee visited this plot of land on 99th Street and checked from one corner to the other. We all agreed that, if we could sell the property, it was the thing to do."

It is on the question of apportioning blame for Love Canal that the media have fallen down the most. Practically every level of government has been involved over the years in violating either the Canal's walls or the protective clay cover that Hooker says it had laid four feet thick on top of its wastes. Even the New York State Department of Transportation, which now shares major responsibility for remedial work on the Canal with New York's Department of Health and the federal Environmental Protection Agency, ripped into the Canal in 1968, at the southern end where Hooker had done most of its dumping. In the construction of an expressway and the moving of Frontier Boulevard northward, chemicals were contacted, and Hooker was requested to, and did, cart away 40 truckloads of chemical wastes. Just as Hooker had worried in 1957, as time passed the possible hazards of construction on the property had been put totally out of mind.

Quite in line with media reports, then, which have picked up on very little of this governmental involvement in the Love Canal disaster, is the lawsuit filed in December 1979 by the Justice Department on behalf of the EPA, seeking to collect from Hooker $124.5 million for cleaning up the Love Canal area. Evidently, with the public so misled, the government's lawyers thought they could get away with laying all the blame at the


1942
Mar. 1951
Hooker begins dumping chemicals in the Love Canal (LC)
Mar. 1952
99th Street School is mapped at LC site
Sept. 1952
Hooker and Board of Ed test LC site
Oct. 1952
Board of Ed moves to acquire property abutting LC
Dec. 1952
Hooker agrees to donate LC property
Apr. 1953
City Planning Board approves 99th Street School site
May 1953
School Board attorney warns Board about liability
Aug. 1953
Board votes unanimously to accept LC deed
Jan. 1954
Board votes to remove fill from LC for top grading of another school
Aug. 1955
Architect for school reports construction disturbing chemicals
June 1956
Board votes to remove fill from LC to grade surrounding area
Nov. 1957
Architect changes kindergarten play area to avoid chemical deposits
Board debates proposal to sell part of LC property to home developers
Hooker's attorney and v-p oppose subsurface construction
Board votes against sale
City begins construction of sanitary sewer through LC
June 1958
Children burned at LC

doorstep of the only nongovernmental body involved, Hooker Chemicals & Plastics Corporation and its parent, the Occidental Petroleum Corporation.

Although the suit also names the Niagara Falls Board of Education, the city, the County Health Department, New York State, and UDC-Love Canal (a state agency set up to purchase the homes of families evacuated from the surrounding area), not one of these governmental bodies—and here again the media have missed a step—is implicated in the responsibility for the problems at Love Canal. "The City is named herein as a defendant only to insure that the remedial measures requested by the plaintiff /EPA/ can be fully implemented by the City's action with regard to its own property." And so on and so on. For each of the governmental units named in the suit, there is a reassuring paragraph noting that it is so named only to enlist cooperation in remedial work.

The government's case against Hooker contains a great many charges and allegations that I have seen disproven in the documentary records at the Board of Education and the office of the city engineer. Hooker hasn't supplied me with its own supplementary documentation, but that wouldn't be necessary except on one point that has served as a focus for many of the EPA-Justice Department charges: the adequacy of the clay cover Hooker laid over its dumpings.

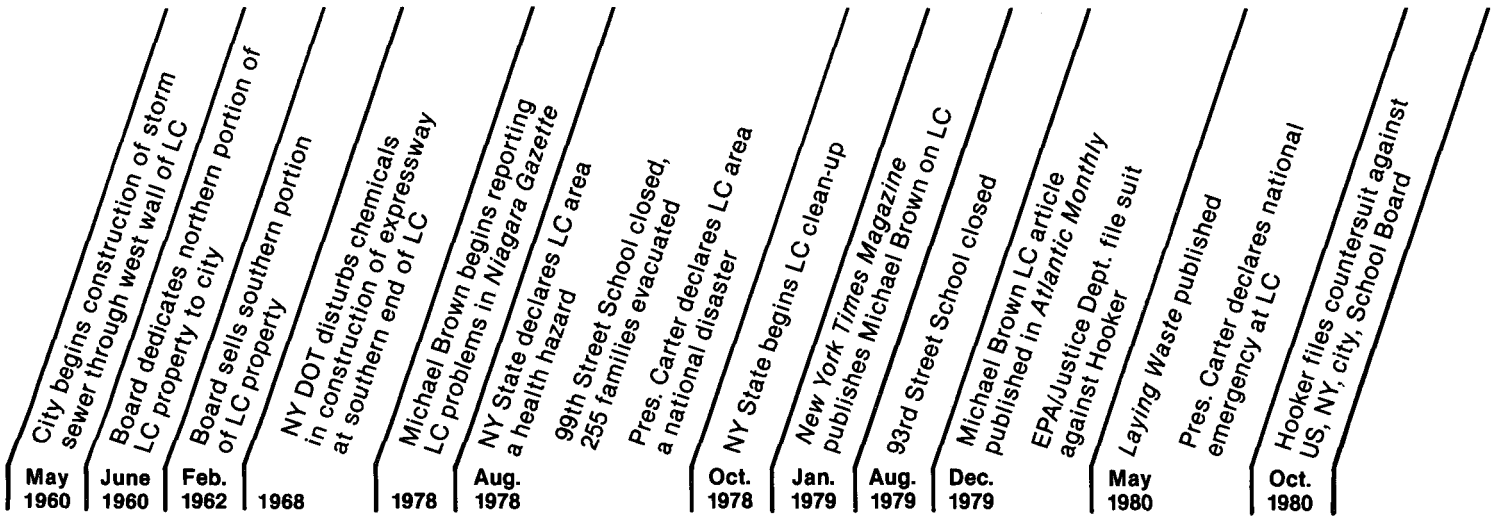
Residents of the Love Canal area have contended that at least some of Hooker's wastes were covered only with fly ash. These are recollections of what happened 30 years ago. There *is* evidence that there was plenty of fly ash in the area. Not only did Hooker itself use part of the Canal to dump fly ash, which accumulated in the bottom of its furnaces, but School Board records show that Hooker and probably the city also were asked to supply fly ash to fill in the portions of the Canal that were still an open trench when the Board took over the property. There is no evidence, however, that Hooker used fly ash to cover its chemical dumpings.

Hooker claims—and notes on maps at the Board of Ed dating from the early '50s tend strongly to support this—that the company laid four feet of clay over its fill. Furthermore, a private engineering firm, Conestoga-Rovers Associates of Waterloo, Canada, hired by the city in 1979 to evaluate the Love Canal dumpsite, has concluded that Hooker's practices there cannot be faulted, even by the standards of the Resource Conservation and Recovery Act (RCRA) being implemented in 1980—the only existing federal law concerning the hows and wheres of industrial dumping.

(Of course, even without a statute on the books, Hooker would be liable, subject to the relevant statute of limitations, for damage to third parties due to negligence, were its practices in fact negligent. But it would be hard for such a claim to get very far if Hooker's practices decades ago met and exceeded regulations, generally regarded as stringent, effected only in 1980.)

Although the Conestoga-Rovers report had not yet been delivered to the city at press time, Mr. Frank Rovers has stated to Senate staff members considering toxic waste clean-up legislation that, as summarized by the Washington representative of the American Institute of Chemical Engineers, on whose RCRA Task Force Mr. Rovers was serving, "The design of the Love Canal site was well within the standards of RCRA. What went wrong with Love Canal can be attributed in large part to lack of monitoring, invasion of the site itself, and lack of remedial work." And the invading construction, which raised the need for remedial work, can only be laid at the feet of the School Board, the city, and the state Department of Transportation. (The other main factor that precipitated the crisis was that in 1976 Niagara Falls experienced record rains that poured down into the by-then opened Canal, forcing large quantities of the chemicals up and out; in October of that year, there surfaced the first reports of nearby basements being invaded by chemicals attributed to Love Canal.)

The EPA's own chief of Hazardous Waste Implementation, Mr. William Sanjour, was quoted in the *New York Times* on June 30, 1980: "Hooker would have had no trouble complying with these (RCRA) regulations. They may have had a little extra paperwork, but they wouldn't have had to change the way they disposed of the wastes." Ironically, Mr. Sanjour's admission here was a bold and direct contradiction of a key charge leveled by the EPA itself in its suit against Hooker, filed in federal court six months earlier.


May 1960
City begins construction of storm sewer through west wall of LC
June 1960
Board dedicates northern portion of LC property to city
Feb. 1962
Board sells southern portion of LC property
1968
NY DOT disturbs chemicals in construction of expressway at southern end of LC
1978
Michael Brown begins reporting LC problems in Niagara Gazette
Aug. 1978
NY State declares LC area a health hazard
99th Street School closed, 255 families evacuated
Pres. Carter declares LC area a national disaster
Oct. 1978
NY State begins LC clean-up
Jan. 1979
New York Times Magazine publishes Michael Brown on LC
Aug. 1979
93rd Street School closed
Dec. 1979
Michael Brown LC article published in Atlantic Monthly
EPA/Justice Dept. file suit against Hooker
May 1980
Laying Waste published
Pres. Carter declares national emergency at LC
Oct. 1980
Hooker files countersuit against US, NY, city, School Board

Reading this EPA-Justice Department lawsuit, one senses how desperate its drafters must have been to implicate Hooker on whatever grounds could be dredged up. In paragraph 23 it's charged that "two storm sewer systems...were built in 1952 before Hooker sold the Canal property to the Board." It is not claimed that the two sewers in question penetrated the Canal walls; the fact is that these systems—Colvin-100th Street and Frontier-100th Street—didn't even come close. Interestingly, the suit does *not* mention the real villain-sewers, constructed in '57 and '60, which would, of course, have implicated party or parties other than Hooker.

In paragraph 35 we find that "vegetation in the vicinity of the Love Canal is suffering from stress." The Love Canal homeowners might wilt upon hearing that one, as though their own travails were not enough to bring Hooker down if Hooker is guilty.

Paragraph 108 informs us that "Hooker never applied to the Secretary of the Army for and does not have a permit authorizing the deposit of wastes into navigable waters at the Canal." This is one of the few allegations in the suit that Hooker doesn't contest as false. Did you know that there are "navigable waters at the Canal"? Can you imagine sailing a ship upon this chemical dump? Well, of course, nobody's ever done it, nor even tried it. In fact, the Canal never was navigable, even before it became a dump in the early '40s; it wasn't even being dug for that purpose when its construction was abandoned in 1910. "Navigable waters" indeed.

But in the court of public opinion, Hooker is already adjudged guilty. Playing into the hands of the feds on this has been that intrepid "investigative reporter" Michael Brown, whose book, *Laying Waste,* has been praised to heaven, despite the fact that its tale of Love Canal is unrecognizable to anyone who has examined the actual documents. Jessica Mitford said, "This extraordinary and terrifying book is one of the best examples of tenacious, dedicated journalism I've ever read." Senator Moynihan pronounced the book "strong, clear, credible, and humane." Ralph Nader said, "*Laying Waste* takes the reader on a macabre journey from the notorious Hooker Chemical Company waste dump at Niagara Falls to..." and called the volume "an advance briefing" on America's future of "cancerous, toxic cesspools left by callous corporations." Sen. Bill Bradley applauded it as "a clear call for the massive effort necessary to clean up the horrors." Paul Ehrlich praised it as "a vitally important book." Jane Fonda said, "I hope every American is awakened by this book." So let's dip a bit into *Laying Waste.*

The very passage in the deed that Michael Brown saw as not "an overwhelming concern," Boniello has described as "like waving a red flag in front of a bull."

On page 8 Brown says, "At that time [1953], the company issued no detailed warnings about the chemicals; a brief paragraph in the quitclaim document disclaimed company liability for any injuries or deaths that might occur at the site." He doesn't quote from the deed and mentions it again only once, curtly.

Would you know from his description of the "brief paragraph" (which I quoted in full earlier) that this is the longest paragraph in the entire deed, running 17 full lines of type, or that it speaks of these chemicals as being capable of *causing* injury and death? Furthermore, there's an innuendo here that is simply not true: that there is no evidence that Hooker had verbally warned the Board repeatedly and in strong terms about the chemicals. Ansley Wilcox's letter, which is reproduced here, but which Brown never even mentions in his book, is strong documentation to refute this innuendo.

On page 9 Brown says: "When I read [the Love Canal] deed I was left with the impression that the wastes would be a hazard only if physically touched or swallowed. Otherwise, they did not seem to be an overwhelming concern." That's his other reference to the deed, and it's equally misleading. Brown's introduction of "touching" and "swallowing" into the deed's restrictions are his own concoctions. Neither they nor any equivalents are in the deed, and even Brown's inference of them is drawn entirely from thin air. And although "injury" and "death"—which *are* in the deed—may "not seem to be an overwhelming concern" to Michael Brown, they did to relevant parties at the time, contrary to what Brown claims.

Also on page 9 Brown writes: "Ralph Boniello, the board's attorney, said he had never received any phone calls or letters specifically describing the exact nature of the refuse and its potential effects, nor was there, as the company was later to claim, any threat of property condemnation by the board in order to secure the land."

Boniello, however, had not *needed* any phone calls or letters. The very passage in the deed that Michael Brown saw as not "an overwhelming concern," Boniello warned his client at the time to take seriously. Boniello would later describe it as "like waving a red flag in front of a bull." The School Board members "were forewarned. But all that they felt was that they were getting a big piece of land for free." If Brown had read the newspaper for which he himself was a reporter, the *Niagara Gazette,* he would have known that this was Boniello's opinion, because that's where it was quoted, on August 9, 1978, more than a year before Brown's book went to press. In this interview with Paul Westmoore, Boniello further stated: "I suggested they get a chemical engineer to inspect it [Love Canal]. They never did, to my knowledge."

On the property condemnation issue, my phone conversation with Boniello on the evening of October 16, 1980:

Q: *Is it possible that Hooker could have been verbally threatened with land condemnation at Love Canal by the Board's representatives, such as Wesley Kester, head of the Buildings and Grounds Committee, while you might not have been informed of this?*
A: *Oh, yes. My function was only to come in afterwards and close a deal, not to negotiate or make deals. The Board decided what they wanted done, and told me to draw up the papers. I was brought in after the fact. So all I can say is that I was never instructed to initiate condemnation proceedings on the Love Canal property. Whether condemnation was actually threatened verbally by the Board is a question I'm not competent to answer, since I wasn't in a position to know.*

On page 10: "In 1958, the company was made aware that three children had been burned by exposed residues on the surface of the canal, much of which, according to the residents, had been covered over with nothing more than fly ash and loose dirt. Because it wished to avoid legal repercussions, the company chose not to issue a public warning of the dangers only it could have known were there." This strings three distortions together into one big lie.

First, Brown fails to mention anywhere in his book that not only Hooker but the city had been dumping into the Canal; that this municipal waste may well have been covered over with fly ash and dirt; and that, in any case, the Board of Education had used fly ash at this site, as the record shows it had at other school sites, to grade the property. Therefore, Brown's slur of Hooker—the implication that fly ash and dirt is what Hooker had "really" laid over its wastes and that this gives the lie to the company's claim of having laid a clay cover over its dumpings—is at best a fudging of the available documentation and at worst a vicious distortion.

Second, Brown offers no evidence of Hooker's alleged wish "to avoid legal repercussions." The Board of Ed, of course, in accepting the deed, had explicitly assumed liability for any injury attendant to its use of the property, which use, as we now know, had unearthed those chemicals. For its part, Hooker was apparently confident that its own practices at the Canal had all been entirely legal, not just matching but surpassing the safeguards then in normal usage (which were zilch, even according to the EPA itself).

Third, as to the charge that Hooker "chose not to issue a public warning of the dangers only it could have known were there," this is false in both clauses. Brown never mentions in his book the very public warnings that Hooker had made in November 1957, which were published in the local newspapers at the time (including the *Niagara Gazette,* for which Brown later reported, but which, again, it appears he never consulted). These warnings preceded by less than a year this 1958 incident. So not only Hooker but the Love Canal area residents and the city government could have known of the dangers there. Yet while Hooker was issuing these warnings the city was rip-

HOOKER ELECTROCHEMICAL COMPANY
NIAGARA FALLS
NEW YORK

November 21 1957

Dr Charles M Brent President
Board of Education
Administration Building
Sixth Street and Walnut Avenue
Niagara Falls New York

Re 99th Street Property

Dear Dr Brent

In the interest of amplifying the remarks made by Mr Chambers at the Board Meeting on November 7th and in the further interest of providing the Board with a written statement of our position with respect to the subject property, I would like to submit the following account of the transaction. I might point out that I was personally involved in the negotiations and have a direct knowledge of some of the significant arrangements.

Hooker acquired the property in question in the early 1910's. As you doubtless know, it was a section of the abandoned Love Canal. At the time it was acquired it was a sparsely settled section and our purpose in acquiring the same was to obtain an area for burying industrial wastes.

The area was used for this purpose for a number of years, and, in fact, was still being so used when we were approached by Dr Small and other representatives of the Board of Education who stated that the Board of Education would like to acquire at least a portion of the property for the erection of a new school. We explained in detail to Dr Small the use which we were making of the property and stated that we were very reluctant to sell the same, feeling that it should not be used for the erection of any structures. However, after several discussions with Dr Small and others it was pointed out to us that the School Board felt that this was the only property available in the location in which a new school had to be constructed and that they were so desirous of acquiring the same that condemnation proceedings might be resorted to.

As a result, our management considered the matter very carefully and came to the conclusion that if the property was so important to the Board of Education we would make a gift of the same to the Board with the understanding that it should be used only for the construction of a new school and the maintenance of a park. We were thoroughly convinced that should the property ultimately be used for any other purpose the residues which had been buried thereon might well have a serious deleterious affect on foundations, water lines and sewer lines, and, in addition, we felt it quite possible that personal injuries could

Dr Charles M Brent Page 2 November 21 1957

result from contact therewith. Therefore, on October 16, 1952 we wrote Dr Small, copy of which is enclosed, stating that we would be willing to donate the property to the Board of Education and pointing out that in view of its use it would be necessary for us to incorporate in the deed a recital as to the use of the property and restrict the same to the erection of a school at a particular location which had not been used for the purpose of burying residues and that the balance of the property should be maintained for a park or recreational purposes. The following day Mr Lang wrote us advising us that our letter had been presented to the Board and that he had been instructed to advise us that the Board had accepted our offer and recognized the necessity of incorporating special provisions in the deed. Copy of Mr Lang's letter of October 17, 1952 is also attached. Following the receipt of the above letter we prepared certain proposed restrictions for the deed, one of which read as follows:

> "This conveyance is made subject to the condition that the premises shall be used for park purposes only, in conjunction with a school building to be constructed upon premises in proximity to those above described, and that upon the abandonment of said premises for such purposes, or upon their use for any other purpose, the title to said premises shall revert to the grantor, its successors or assigns."

These were submitted to representatives of the Board and it was then pointed out to us that since the Board of Education itself had no facilities for maintaining a park it was reluctant to accept a conveyance containing an affirmative agreement to do so. It was pointed out that actual maintenance as a park could probably only be carried out by the City and some agreement would have to be made with the City to do this. Therefore, at the request of the Board's representatives this provision was not included in the deed. However, its omission in no sense indicated that we felt it would be safe or proper to use the property for any other purpose. It is our feeling that even though great care might be taken at this time in the construction of buildings on the property that as time passes the possible hazards might be overlooked with the result that injury to either persons or property might result. It is our primary purpose in calling these facts to your attention to avoid the possibility of any damage to any one or to any one's property at any time in the future and we feel that the only way that this can be assured is by using only the surface of the land. We still feel very strongly that the subsoil conditions make it very undesirable and possibly hazardous if excavations are to be made therein and urge most strongly that arrangements be made to use the property for the purposes intended, since we also feel that additional park or recreational facilities in this area are very desirable.

Very truly yours

Ansley Wilcox 2nd
Vice President and General Counsel

Letter from Hooker's Ansley Wilcox, on record at the Board of Education

ping through the Canal to build a sewer. That the children's exposure to chemicals took place only months later lends plausibility to the hypothesis that this construction disturbed buried chemicals, just as Hooker had feared. Brown also fails to mention anywhere in his book the earlier warnings that Hooker had communicated to the Board, also brought to public light in 1957; and he furthermore leaves entirely out of the picture the correspondence between the Board and the school's architect, which shows how intimately the Board was involved with these "chemical pits."

When Hooker, in a letter to the editor in the July 1980 *Atlantic,* pointed out in response to Brown's article on Love Canal in an earlier issue that the chemical dump under Hooker's management in the '40s and '50s had been found by a chemical engineer to be "well within the standards of RCRA"—the strict law of 1980—Brown's evasive printed reply, which ignored these very findings, was that it would not comply with RCRA because "those standards, among other things, propose that landfills not be located near so populated an area, and mandate that a landfill not be in a position to poison a water source. The Love Canal has leaked into the Niagara River, and probably is still doing so." Brown's reply neatly avoided mentioning the lack of evidence for any such leakage while Hooker had managed the Canal and the abundant evidence of the dump's mismanagement by the School Board and the city for decades afterward—the "invasion of the site itself" noted by the engineer hired by the city.

The head of the homeowners had never even gone to the Board of Ed to check its records so as to make an informed judgment about the roots of their tragedy.

And for Michael Brown to claim that the Love Canal dump in 1953 had failed to meet RCRA standards because the surrounding neighborhood was subsequently to become populous simply makes one's mind reel. Even Brown himself, in his book, acknowledges that in 1953 the surrounding area had been sparsely populated. Well, Brown's book won three Pulitzer nominations, so who cares about such insignificant matters as accuracy and truth!

When I spoke with the president of the Love Canal Homeowners Association, Lois Gibbs, on October 17, 1980, I learned that Michael Brown has been one of her chief sources of information about Love Canal. This surprised me, because I expected that the information flow would have been in the reverse direction, since Brown relied so much on residents' testimony. But as it turned out, Ms. Gibbs knew practically nothing about the Canal itself, although she has said a great deal about the dump.

This is a matter of some consequence, because Lois Gibbs has appeared prominently on network TV news programs and as a guest on national TV talk shows and has been much quoted in the newspapers and over the wire services. She has certainly been one of the chief sources for Mr. and Mrs. America's idea about what went wrong at Love Canal. Apparently, however, no interviewer or reporter has ever checked her facts; nor has she, so far as I am aware, ever been asked probing questions to determine the documentation for her positions.

As with Michael Brown, the basic thrust of her position is that, as she put it in response to my question, "Who was primarily responsible (for Love Canal)?": "I believe fullheartedly that Hooker is primarily." On Hooker's role at the Canal, she said:

> *They left open avenues of swale, pipelines, and so forth. They didn't deposit the waste in 55-gallon drums, as they say they have. They also knew children were being burnt on the Canal proper, and never made that public knowledge. And when they told the Board of Education there were wastes buried there, they never truly explained what the wastes were and what the ramifications of the wastes moving around in the ground and surfacing in the school could cause.*

Ms. Gibbs, I soon learned, is fond of snowing the listener with technical terminology that she herself, as it turns out, doesn't understand. So for the perplexed reader who, like myself, has never encountered the term *swale*—which she later defined for me as "underground stream beds"—I subsequently found that it refers to a line of surface-water runoff. Every plot of land necessarily has swales. As for her *intended* charge of underground streams at Love Canal, there is not a shred of evidence for the allegation. And what we know and don't know about "pipelines" will be made clear below.

As to her charge that Hooker "didn't deposit the waste in 55-gallon drums as they say they have," Hooker's actual statement, as reported in the *Niagara Gazette* on November 22, 1957, was: "There are dangerous chemicals buried there in drums, in loose form, in solids and liquids." The rest of her statement is pure Michael Brown and has been dealt with earlier.

I asked her: "Are you aware that the Board of Education back in 1951 had drawn up a map of the Love Canal area and that it showed the assessed condemnation value of each property?" Her reply: "No." The head of the homeowners had never even gone to the Board of Ed to check its records so as to make an informed judgment about the roots of their tragedy.

When I asked her about the sewer under Wheatfield Avenue, whose installation in 1957 may well have precipitated the ultimate catastrophe, she denied my assertion that it was "surrounded with gravel." She claimed that this underground excavation was instead "backfilled with clay." The city engineer could straighten her out on that one.

In response to my question whether she'd ever heard of the American Institute of Chemical Engineer's Task Force on RCRA and the findings of one of its members about why the

Love Canal had seeped, she said, "No." But, she continued:

Let's pretend that the Canal hadn't been disturbed. It still would have leaked.

Q: *How so?*

A: *Because there were farmers' field tiles that were connected to the Canal, and these were clay pipes 6 inches to 8 inches in diameter.*

Q: *When were these tiles put in?*

A: *Probably before the Canal was used as a dump. Furthermore, there are open avenues of swale, which are underground stream beds, that were backfilled with rubbish—not a solid fill.*

Q: *Is this in Stephen Lester's report [which she had mentioned earlier]?*

A: *I think so. If not, it's in Beverly Paigen's.*

Beverly Paigen is not an engineer but a biologist, so of course her study had nothing to do with the structure of the Canal. Instead, it was an epidemiological study of the incidence of health problems among Love Canal area residents. (This report created a sensation—and panic—when it was released in February 1979 with the conclusion that area residents showed high rates of pregnancy disorders, birth defects, and other illnesses. Subsequently, a five-member panel of scientists reviewed this study and concluded that it is "literally impossible to interpret" and "cannot be taken seriously as a piece of sound epidemiological evidence.")

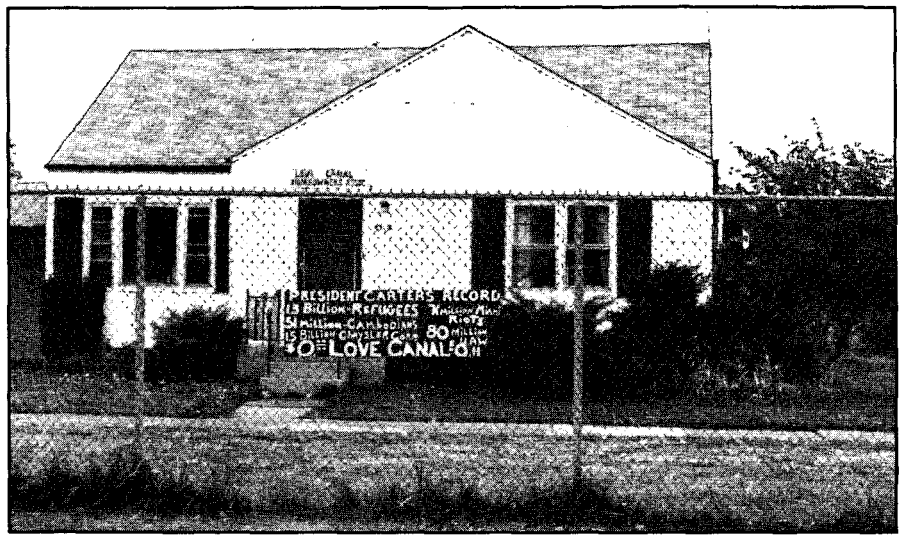
Stephen Lester is not an engineer either. He is a toxicologist and environmental researcher hired by the New York Department of Transportation in 1979 to assist the Love Canal area residents during remedial work being done by the DOT. In the course of observing that work, says Lester, he did see clay pipes running from the Canal, which, he speculates, were probably used to draw water from the Canal to irrigate the orchards that surrounded the area before it was built up.

Did they exist along the entire length of the Canal? Had Hooker removed any such pipes or backfilled them with clay in the sections used by the company for dumping chemicals? Lester's report has no answers to such questions; nor does the city engineer's office, which contains no records of the existence or location of such pipes; nor do the people working at Hooker 30 years hence. But it strains credulity to believe that Hooker would have chosen this site, prepared a section at a time for dumping, and covered its wastes with clay—rather than just dumping anywhere into the Canal's waters—and not have seen and attended to any such clay pipes. Of course, of what the Army did when it dumped toxic wastes there, we know nothing. And what would have happened had the Canal not been disturbed after Hooker owned it, we shall never know.

Love Canal may or may not have polluted its neighborhood beyond repair. But the question now is, Has it polluted the media beyond repair? Except for the *Wall Street Journal*'s publication of the minutes of the two November 1957 School Board meetings under the headline "What Hooker Told Whom, When About Love Canal," and the *Journal*'s two editorials on the facts therein, none of the national media has delved into the history of the Love Canal mess. This story has been butchered in the press. The executioners have been a motley band, led by the US Justice Department, the EPA, the New York State departments of you-name-it, Michael Brown, and Lois Gibbs. Why has their joint exercise in public deception been so overwhelmingly successful? More to the point, why hasn't Hooker's counterfight so far been more effective?

It makes me blush to say it, but in an OpEd article of mine in the *New York Times* in late '79, the editor there cut out a slashing comment I had made in a preliminary draft, calling Hooker's actions at Love Canal "criminal." I've learned since then to be more circumspect about the truthfulness of what I read (and write!) in the papers. There genuinely are big-corporate criminals, and the public's outrage at this, and at their frequent success, is good and healthy—but only if one can still keep one's eyeglasses clean when approaching the facts of each particular case. But that's hard to do.

It hasn't helped that Hooker, and its parent Occidental Petroleum Corporation, have met the public relations challenge of Love Canal with a practically unbroken string of catastrophically bad decisions. At first, when the story was strictly a local one, before Love Canal had hit the national press in the summer of 1978,



Eric Zuesse

Love Canal homeowners' protest

Hooker's response was to stonewall. The company refused to provide even basic information requested by both the homeowners and the local news reporters. After Love Canal exploded across the nation's front pages during the first half of 1979, cracks started appearing in Hooker's stonewall, but this change got under way too slowly and too late.

In the summer of 1980 the company published a booklet, *Love Canal: The Facts,* which for the first time presented Hooker's detailed public defense against the accusations

that were now being hurled at the firm from every corner. Most of the damage to the company had already been done, however. Michael Brown and Lois Gibbs had made their starring appearances on the network TV talk shows, and the ghastly pictures of Love Canal's chemical oozings had finished their sensational runs on the nightly news shows—with prominent mention of the fact that the Canal had once been a Hooker dump.

Even now, the response of Hooker and Occidental remains strictly defensive. Having permitted the Love Canal spark to ignite a conflagration that (according to present Wall Street estimates) has burned off a half-billion dollars' worth of Occidental Petroleum stock value, the best that Hooker and its parent firm can come up with is still a meek squeak: "We didn't do it." Hooker has not sued Michael Brown and his book publisher, Random House, for libel; to the public, this means that Hooker must be guilty.

When I asked Hooker's PR department why the company isn't challenging in a court of law the allegations by Brown and others, I was told, in effect, that that was a matter for the legal department—and that none of Hooker's lawyers was talking to any reporters. Then, on November 3, I phoned Occidental Petroleum, which referred me to Philip Wallach Associates, the parent corporation's public relations counsel. Mr. Wallach told me that it was he who had advised Occidental not to file a libel suit against Michael Brown and Random House, because "to do so would only have given the book free publicity." When I asked Mr. Wallach, "But isn't it sometimes the case that the best defense is a good offense?" he agreed with me that this was so. And when I further inquired why he was more concerned about preventing some negative publicity for Brown's book than he was about giving his own bloodied corporate client some desperately needed positive exposure—and especially increased credibility—he told me, "Well, you have a point there. I suppose maybe I should reconsider." That's where the matter now stands. To think that $500 million of a corporation's stock value can hang on decisions made in such a manner!

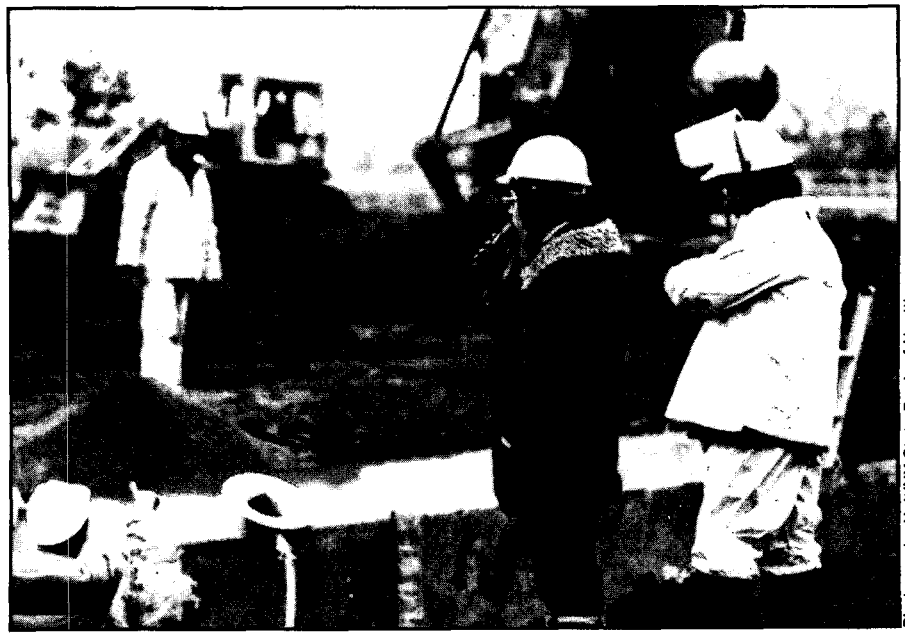
Can more Love Canals happen? There's no reason why not. Niagara Falls is not the only town that's been gung-ho on technology without concern for consequences. This kind of attitude may still prevail there; it certainly can be found elsewhere, and Love Canal may well turn out to have been just the opening battle in a long hot war between the present and the future.

Despite the popular myth that Love Canal is the result of a single corporation's greed and heartlessness, the actual explanation is far more complex. It's clear to anyone who digs into this matter that Hooker may well have been the only party to the affair to behave responsibly. Hooker chose an exceptionally fine chemical dumpsite; it ceded the dump to the School Board under circumstances in which the threat of condemnation was real and the reality of condemnation was already under way for adjoining properties; it warned the School Board that the chemicals could kill and insisted that the Board pass this warning on to any subsequent owner of the property; it urged the Board not to construct the school or any other buildings directly over the Canal; it protested the prospect of any subsurface construction on the Canal.

These warnings were repeatedly ignored, however, by the governmental bodies involved in desecrating this chemical tomb: the School Board itself, the City Planning Board, the city engineer, and the state Department of Transportation. In addition, other governmental agencies have been busy spreading misinformation about the Canal: the Niagara County Health Department, the state Department of Health, the US Environmental Protection Agency, and the US Department of Justice.

Despite all these nefarious governmental involvements, nothing has happened up to the present time to reduce the likelihood of similar governmental crimes being committed in the future. Even if the new federal legislation on waste dumps, the RCRA, proves effective against corporate violators, it could never be effective against governmental bodies. Just on the outside chance that an RCRA suit might someday be filed against a town, school board, or other public agency, what would be the probability that any governmental criminals would be penalized? No matter how guilty they might be, it is the taxpayers who would end up paying the tab on any resulting fines, and it is unlikely that any government bureaucrat would be imprisoned, even if his crimes included the deaths of innocent victims.

When the Justice Department and the EPA joined the fray in December 1979 with their suit against Hooker, they were tacitly acting to protect the



Photography Unit/NY State Dept. of Health

Remedial construction activity under way in 1979

interests of all the governmental agencies that throughout the years seem clearly to have produced the Love Canal mess. The federal authorities could instead have chosen to file charges against those governmental bodies, but this would have made some important New York State politicians unhappy during an election year—and New York was a crucial state for Carter. With the press and the homeowners screaming, the federal government apparently felt compelled to "do something" about the matter, and Hooker turned out to be the most suitable punching bag under the circumstances.

The federal attorneys must certainly have seen much of the evidence that I've presented here and so must have known how shoddy their case against Hooker really was, yet they slogged through their legal mire and came up with the obligatory political document. If instead they'd sued the governmental agencies, that would have made considerable news but even more considerable political enemies. It would also have deflated the Michael Brown bubble, but why do that when it could be exploited, since Brown had conveniently placed blame upon the same scapegoat that the politicians now found so suitable?

Perhaps because of the visibility of what went wrong at Love Canal, even if there has been little attempt to understand *how* it went wrong, there is an increased public awareness that in environmental matters the future *doesn't* take care of itself. But that would not alone prevent future Love Canals. It would not get at any of the fundamental structural problems that aided and abetted the environmental disaster.

At the very least, governmental criminals should not be protected from paying the price for their actions. And when businesses share in the blame, they too should be hotly pursued for every ounce of damage to persons and property. If nothing else, that's the protection that should be afforded citizens by a proper system of property rights, whereby you may do what you will with your property and what is in it and on it, so long as it does not infringe on my rights to my life, my liberty, and my property.

Certainly the worst thing we could do would be to hand to the corporate world some of the same kind of protection from responsibility that we've allowed government officials. Yet, ironically, one of the hottest new items from Congress—the recently passed "superfund" legislation for cleaning up toxic chemicals in the environment—will serve, in part, to lessen the risks of mismanagement on the part of individual firms involved in disposing of toxic chemical wastes.

Any environmentalist who believes that this set-up is a super idea should pay heed to our experience with legislatively limited liability in another industry where the risks of injury are high: nuclear power. Back in the 1950s, when "the peaceful atom" was but a fervent dream on the part of the Atomic Energy Commission, Congress stepped in as the promulgator of devil-may-care. Faced with a drawing-board industry unable to obtain insurance (for reasons that themselves have much to do with government—see "Who Caused Three Mile Island?" REASON, Aug. 1980), Congress passed the Price-Anderson Indemnity Act in 1957, dictating that, in the event of a major nuclear accident, the first $500 million in claims would be footed by US taxpayers, the next $60 million by the firm (through its insurance), and anything over and above that—practically everything in a serious accident—would simply go uncompensated.

The nuclear-power industry was born as a direct result of this legislation. While it may well have come into existence anyway—eventually, and when reactor designers and so on had satisfied insurers' safety experts that nuclear-power generation was insurable—the indisputable effect of this legislation has been to reduce the incentives for individual firms or the industry as a whole to make sure that they are employing and coming up with the best, safest procedures possible.

How could we even *think* of imposing a similar system upon the public as a way of "controlling" the chemical industry? Said Sen. Jennings Randolph in urging the Senate's passage of its superfund bill: "We cannot afford another Love Canal." But the senator entirely misses the point. Any society that socializes risks while it privatizes rewards is earning every Love Canal it gets. ◻

Eric Zuesse is a free-lance writer and the director of the Consumers' Alliance, a New York-based consumer advocacy group.

SUPERFUND

In the waning days of its lame-duck session, Congress passed a compromise bill creating a federal fund to pay for cleaning up abandoned chemical dumps and toxic chemical spills, to be financed by a tax on the chemical and crude oil-producing industries, with taxpayers' dollars sweetening the pot. The legislation also creates a separate fund, from a tax on wastes deposited in chemical dumps licensed by the EPA, that will assume liability for dumps operated by RCRA standards.

If the superfund is used to clean up a hazardous site, the EPA can sue the responsible company for the cost. No victims' medical expenses, loss of income, or property damage will be paid for by the fund. When it comes to government-owned property, however, companies may be held liable for damage from toxic spills and wastes, although even here the liability would be limited to $50 million per incident.

Moreover, how thoroughly the government cleans up a site, and thus how much the responsible company will be liable for reimbursing the fund, will be at the EPA's discretion and hence subject to competing demands on the fund's kitty, to political pressure, and to corporate wheeling and dealing. All these features, plus the fact that the fund can be used for purposes other than direct clean-up (such as promoting efforts to prevent toxic spills), means that the link between a company's doing harm and having to pay up for it—in full and by itself, without contributions from taxpayers and from more responsible members of the industry—is substantially weakened.

—M. Z.

Pennies Become Dollars

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Did you ever wonder why some people **build fortunes** with **Penny Gold and Silver** mining stocks while others repeatedly lose their shirts? Haven't you wished at one time or another that you knew the methods used by the professional investors so that you, too, could make money in the Penny market? If so, we have good news for you.

Penny Stock Press has recently published an **exceptional book,** "Pennies Become Dollars", which reveals for the first time the well-hidden methods of successful speculating in Canadian penny mining stocks. Information once reserved for the privileged few has now been disclosed by a **Senior Master Instructor** at British Columbia Institute of Technology. A true professional, who has dedicated a large portion of his life analyzing and successfully investing in Canadian mining stocks now takes you step by step along the road to **profitable investment.**

"Pennies Become Dollars" is based on the author's twenty years of solid well-researched fact broken down into simple everyday language that you can apply immediately in the privacy of your own home.

For example, buying and selling at the right time are two of the most difficult decisions to make. The author shows you how, when and at what price you should buy, and then to ***predetermine your profit*** and when it is reached, to sell. The author shows you how to carefully lay out a plan and leave nothing to chance so that you can continue to make a profit season after season.

Up and down movement of inflation, recession and depression may happen once or twice over a period of many years. Canadian

FULL COLOR COVER

speculator to make 50% up to **100%** in a few short weeks on new issues.

- What stocks you should avoid.
- What price range is the most profitable — swinging an average of **1200%** in price every year for the past 10 years.
- The three key factors for profit.
- What stocks are prime targets for profit with the lowest risk.
- Why the professional speculator is always buying when the public is selling and vice

b. Almost all governments including the U.S. and Canadian continue to print paper money at an unbelievable rate and appear to have no concern about possessing enough gold bullion to properly back it. Such actions can only lead to disaster such as a **future monetary collapse.** Some investors believe this will happen about 1985 or sooner and are protecting themselves by holding substantial Canadian penny gold and silver stocks, along with a few ounces of gold and keep all the proifits to himself? The answer is that the more people that speculate, the more violent the penny market will become. The *more violent the market becomes,* the **greater the price ranges** and, consequently, the more opportunity for the knowledgeable speculator to make an **excellent profit.**

Whether you are a seasoned professional investor or a rank amateur, you can't afford to be without this book. Remember, this is a successful professional's lifetime knowledge that cannot be found anywhere else at any price.

A word from the Publisher:

In the past 20 years I have read almost every book on the subject of penny stocks, as I was totally fascinated by the **tremendous profit potential.** Of these books most were unrealistic or impractical for the average investor. A few of these I considered worth their weight in gold and I truly believe Sid Andersen's new book "Pennies Become Dollars" is the **best ever** to be written on the subject of investing in Canadian **penny mining stocks.** Among the most important things stressed in the book "Pennies Become Dollars" is high and low price range and volume, **not** earnings per share or growth rate. Many times an excellent profit can be made on stocks that have no earnings record at all and *is often neglected by the so-called sophisticated* investor. The reason it is profitable is that its **yearly volume and price range are phenomenal.**

Many unwise investors see a stock make a spectacular gain on news of finding a large gold or silver deposit. They now jump in and buy it at its all-time high, only to see it collapse along with their dreams. Another group *of investors are the ones that hold on forever* watching it go up and down 500% or more several times a year, not knowing when to sell. You'll never make these mistakes again if you read "Pennies Become Dollars". **Remember that the problem with most speculators is indecision (buying on tips, rumors and hunches and not knowing when to buy**

mining stocks see inflation and depression several times in any given year moving up and down as much as **1000%** or more.

SAME OR GREATER PROFIT POTENTIAL AS COMMODITIES OFFER WITH NO MARGIN CALLS

These tremendous price swings may take place **within months, weeks, days or even hours.** The author shows you when and why they occur and how to take full advantage of these cycles. Because of the short term price swings your money is not tied up for long periods of time, enabling you to reinvest quickly thereby compounding profit after profit. **Profits of 300% or more** in a few months are possible, for the knowledgeable speculator. That's one of the reasons **many commodity speculators** have started investing in Canadian penny mining stocks. Another is that there are no margin calls along with the same or greater profit potential. Consider this: For a $50. stock to double is a tremendous move, but for a 10¢, 5¢ or even 2¢ stock to double, triple or **quadruple** is no great accomplishment and this may take place in as quick as a few days or even **a few hours.** You'll also learn:

- The inside secrets of the promoters and how they affect you as a speculator — things your broker will probably never tell you.
- Why long dormant issues suddenly make tremendous price gains.
- How speculative mining companies are formed.
- How money is raised through the public.
- How company directors make **300%** profit in a few short months on new issues.
- How it is possible for the knowledgeable speculator to be a professional speculator.
- How anyone from any country in the world can open up a Canadian account.
- Types of accounts you can open: Regular, margin, or short and the power of leverage.
- How and when you should use stop losses and open sell orders.
- Different types of game plans.
  a. Gambler game plan — Medium risk for a quick high profit.
  b. Conservative game plan — Low risk for a small profit.
  c. Penny game plan — Trading only low priced penny issues.
  d. Total game plan — Comprising all three of the above.

Also in the book are little known sources of public information and services that are most valuable to you yet inexpensive, such as a Canadian weekly publication that lists all Canadian mining stocks, their **yearly and weekly price range and volume** and several other vital publications.

Last but not least a method called "The Lazy Man's Way to Substantial Profits" for the individual who has a minimum of time and still wants a fair profit — shows how $5,000.00 can be turned into $25,000.00 within a few short years.

Some very important reasons for you to invest in Canadian mining stocks are as follows:

a. Due to political unrest in South Africa and Rhodesia more and more wise investors are turning to U.S. and Canadian gold and silver stocks. Even the long-term investors are turning their attention to short-term speculation.

b. Gold and silver are the only true money left in the world.

c. The OPEC nations are demanding payment for oil in gold. Because of this, demand for gold will probably increase violently.

d. Recently gold and silver came down temporarily, creating many opportunities for the wise speculator. As it stands now, the price of gold and silver is destined to go up and the wise investor is not worried about day-to-day fluctuations because he uses them to his advantage.

e. Once again, with the possiblity of gold and silver going through the roof, many Canadian and U.S. mines that were once dormant or marginal producers may now become full-time producing mines and make *tremendous price gains.* For example, the average gain of *U.S.* and Canadian mines from 1962 to 1968 was 12,000%. That's right — *Twelve thousand percent*!!! While several even exceeded this with gains up to *100,000%*!!! This sounds incredible, but it happened. This can happen again and it looks like it might. Recently *U.S.* and Canadian penny mines have made tremendous price gains. In the next upward surge for gold and silver these stocks could erupt, possibly creating many new millionaires.

One burning question you may have at this point is if this book can show anyone how to make an excellent profit in penny stocks — why is it being sold? Why doesn't the author **or sell). This is due to the fact that they have never done enough proper research on the subject. This Book will clear up the indecision because the proper research was done and then translated into simple everyday language that you can apply immediately in the privacy of your own home.** I sincerely believe if you follow the material in the Book it can help you to become a successful speculator.

Good luck,
John Bennitt

P.S. In the near future we will be publishing a newsletter based upon the author's methods along with some exciting new concepts in little known areas of investment. We will also be publishing or selling **informative books** on the subject of making money in the Penny Stock Market. We expect to list most U.S. penny mining stocks along with **new penny issues with small capitalization,** information which is usually very difficult to find in one place — so stay with us.

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P.S. The same basic method for investing in Canadian penny stocks can be applied to U.S. penny mining stocks.

A few Reviews we recently received commenting on our book "Pennies Become Dollars"

This is the first work of its kind in the history of trading. Never before has the public been offered an opportunity to bridge the gap of knowledge necessary to get on the "insiders" track. It should put the Penny Stock Trader at least 20 years ahead in experience which he might otherwise acquire by costly trial and error. The knowledge in this book is the "edge" that separates the amateurs from the pros. It's a must!

6-2-80 STEPHAN DUMAS, GRYMES HILL MANOR S.I., N.Y.

Re: "Your Pennies Become Dollars" April, 1980

What the author has done is present a keen analysis of the movements of selected Canadian penny mining stocks and blended this study with common sense forecasting, opening the doors for those of us not as perceptive to use our own key to success and make a buck too by buying and selling the author's way.

Ernie M. Icnnaccone, B.Comm., MBA, RIA
Director of two oil and gas corporations
University lecturer and Dean of Business Management

The Northern Miner Issue of May 15, 1980

BOOK REVIEW

Speculating in pennies

Pennies Become Dollars — profitable speculation in Canadian mining stocks — by Sid Anderson, published by Penny Stock Press, P.O. Box 430 Queens Village Station, New York 11428. Price $US19.95 or two pre-1936 U.S. silver dollars.

"Pennies Become Dollars does take a how-to-make-money approach to this highly speculative side of the mining business, and does offer numerous guides to the prudent speculator and novice alike. It's different. . . .

HUBERGRAM
A Canadian Penny Stock Newsletter #26 May 30, 1980

... RESOURCES FOR AN INVESTOR ...

One error a beginning or even an experienced investor will make is being cheap in NOT spending money on knowledge, that is, getting information and understanding about the market and its forces. Such reading will yield bits and pieces of valuable understanding. Below is a list (repeated with updates) of such resources.

One new publication that is a MUST for those involved in the Vancouver market is a book called YOUR PENNIES BECOME DOLLARS. A rather appropriate title! It is by Sid Anderson, a veteran speculator from Vancouver. He discusses the ins and outs of the Vancouver market and the strategies required to be successful there. I agree with many of his ideas. He has a very good concept of profiting so that one ends up with FREE shares by selling part of one's position in stages. In this way, one has NO-RISK SHARES left.

QUEENSLAND QUOPS

Australia's quasi cops show how quietly a police state comes

Theresa McNeil

BY GARY STURGESS

IN MARCH 1978, one Joseph Malia of Leppington, New South Wales, was jailed for refusing to allow Egg Board inspectors through the gate of his property. He was not an egg producer. The inspectors wanted to pass through his property to raid a neighboring poultry farm.

Joseph Malia had committed no crime. Other than refusing the inspectors entry to his farm, he had broken no law. He had merely said "Enough" to the growing power of the bureaucratic state. For this, he was jailed.

In recent years civil libertarians have begun to protest the growing power of the police. Their concerns are justified. Australia—the country with which I am familiar in the particular—has never had more police with more powers than at present. The combined strength of Australia's police forces is now greater than that of the Australian army (a fact that gives new meaning to Pogo's line, "We have seen the enemy, and he is us").

But disturbing as these trends are, there is every reason to believe that this will not be the source of Australia's impending police state. Instead, it will be staffed by bureaucrats. Where there is caution about granting additional powers to the police, there is enthusiasm, even among civil libertarians, for granting these same powers to government inspectors.

Within every public service in Australia there exists a group of "quasi policemen" with powers of arrest, entry, search, seizure, and detention. They include customs officials, tax inspectors, Trade Practice Commission officers, social security agents, Egg Board inspectors, flora and fauna rangers, RSPCA inspectors, fisheries patrol officers, and aboriginal relics inspectors. They are not organized into forces as such. The majority of them do not wear uniforms. Very few carry guns. In place of guns, these bureaucratic policemen carry identity cards that say (in effect) that they can obtain guns if they need them. The card is usually enough.

So far, no detailed study has been made of these quasi policemen, or "quops." Brief research undertaken in Queensland indicates that under Queensland Acts of Parliament alone there are over 3,200 individual bureaucrats with police powers. This is only several hundred short of the police force itself. There are presently about 120 different types of inspectors with powers of entry onto private property, appointed under 100 different Queensland statutes. In addition to those who already possess these powers, there are tens of thousands of other officials who can quickly be granted them by ministers or senior public servants. There are also 37 federal statutes empowering probably another 40 different types of inspector within the state.

Most government inspectors have the power to enter private property. Although some statutes require the official to obtain a warrant, most do not. In Queensland, local government inspectors and officers under the Collections Act, the Land Tax Act, and

the Poultry Industry Act (to cite a few) need no warrant to enter private dwellings, day or night. Eight Queensland statutes specifically empower inspectors to use "such force as is reasonably necessary" to carry out their duties.

Refusal to provide correct name and address to one of Queensland's aboriginal relics inspectors can result in immediate arrest. Seven other types of inspector have powers of arrest, as well. Add to this the power to stop and search vehicles (11 types of inspector have this power) and powers of search (90) and seizure (46), and we have a growing army of bureaucrats suitable for the role of Big Brother.

In north Queensland, flora and fauna rangers carry automatic shotguns and armalite rifles. Premier Johannes Bjelke-Petersen openly admitted that these weapons are for use against poachers and smugglers, not crocodiles.

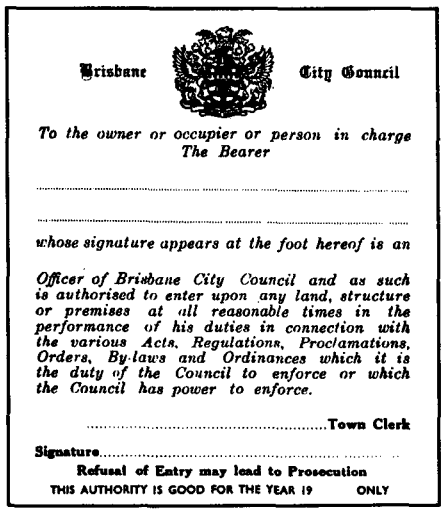
THE TAXMAN COMETH

One of the more unpopular quops is the tax inspector. A visit by the tax man is a reminder that government is not an oversized charity and prompts the thought that maybe taxation is theft, after all. With the Australian federal government's obsession with catching the last tax evader (is the government of any of the world's bureaucratized states not likewise obsessed?), it is probable that the tax inspector will become an increasingly sinister figure over the next few years. The Australian government recently hired on 400 special tax investigators to conduct compulsory audits of Australian businesses. From now on, businessmen can expect a thorough investigation about once every five years—not because there is reason to believe that they have or are about to do anything illegal, but simply because they *might*. It is this kind of widescale perversion of the rightly hallowed legal principle "innocent until proven guilty" that should worry civil libertarians everywhere.

There is some legal controversy as to whether tax investigators in Australia have a right of entry and search, although that has not deterred them from acting as if they do. During training, tax inspectors are informed of the uncertainty of the law but are instructed to act as if they have a right of entry anyway. A former tax investigator told me that in these circumstances most individuals simply give in. The one case he was aware of in which a taxpayer refused entry was resolved by a phone call from a senior official in the Tax Department.

Life can be difficult for a taxpayer who does not cooperate. It is not surprising then that the Australian Taxpayers Association advises submission: when the taxman calls, open the books and offer him a cup of tea.

The powers of the taxman were the subject of a recent case in the court of appeals in Britain (*R.* v. *Commissioners of Internal Revenue,* ex parte



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Refusal of Entry may lead to Prosecution

THIS AUTHORITY IS GOOD FOR THE YEAR 19 ONLY

Rossminister Ltd.). Using a statutory provision similar to one relied on in Australia, 70 Revenue officials carried out a dawn raid on several offices and private houses. Twelve van loads of documents, business and personal, were taken away. In the Court of Appeals, Lord Denning found that the warrants did not indicate what offenses were suspected. They were thus "general warrants"—a practice that English law has for hundreds of years considered an unacceptable threat to individual liberty. On appeal to the House of Lords, Denning's decision was overturned and the search powers confirmed. But while refusing to restrain Parliament, the House of Lords was critical of the legislature granting such wide powers of search. Lord Scarman said it constituted a "breathtaking inroad on the individual's right of privacy and the right of property." Any changes, however, had to be made by Parliament; the courts would not enforce the unwritten English bill of rights.

ABUSING INSPECTORS

In contrast to the cautious attitude of the courts, Australian legislatures have been liberal in their granting of powers to government inspectors. Indeed, so wide are the powers possessed by some of them that it almost seems impossible that they could be exceeded. Where abuse occurs on a systematic basis, the attitude of the legislatures seems to be that the abuse should be legitimized: if officials regularly assume a certain power, then it must be necessary for efficient operation, no?

The Narcotics Bureau provides an example of this. Several years ago in his book *Narc!* Bernard Delaney revealed that for some time narcotics agents had been tapping phones without lawful authority. No prosecutions have been or will be made. Instead, the federal government promptly passed an amendment to the Customs Act granting this power to customs officers (which group included narcotics agents at the time).

It is probable that abuses of powers are as common among inspectors as they are among police, although reliable figures are difficult to obtain. Part of the reason for this is that most of us are so used to being walked on by the government that another pair of feet doesn't make much difference. But there are also those who are afraid to speak out. Unlike the police, government inspectors have fairly narrow jurisdictions. Their responsibilities are usually restricted to a particular industry or to specific functions. They are often geographically limited, as well. This means that the inspector who visited last month will often be the one who is expected again next month. As a result, many of those who have had their homes and property invaded are not prepared to be quoted.

A few examples, though, have come to light in recent years.

- In September 1977 customs officers raided an aviary at Gosford in New South Wales. They suspected birds in the aviary, which belonged to Mr. Rudolf Muhuick, of being infected with Newcastle disease. On that mere suspicion, $97,000 worth of

birds were destroyed as pest exterminators pumped cyanide gas into the cages, shot birds from the trees, and killed the family's pet budgerigar and three pet emus. Customs subsequently tested the birds and found no traces of disease in the aviary.

• In another case, same locale, same year, Egg Board inspectors raided a poultry farm armed with "cattle prodders." According to the Egg Board, these weapons were for protection against guard dogs, but this case illustrates the attitude of government inspectors. They believe they have a right to go anywhere and are prepared to use whatever force is necessary to do so. And in the case at hand the farmer was not a *criminal* criminal but had breached some accounting or marketing procedure.

• In the early 1970s the Long family operated a dairy farm out of Grafton in New South Wales. They sold their milk directly to regular customers of long standing. It was milk of exceptionally high quality, and when the Grafton Dairy Company put in a pasteurization plant, the Longs did not want to pool their milk with a product that they considered inferior. Offers to put in their own pasteurization plant were refused, so the Longs continued to sell unpasteurized milk to their old customers. The Dairy Industry Authority sent officers who kept a 24-hour watch on the farm, seeking evidence of illegal sales. After several unsuccessful legal actions, the Longs were finally prosecuted and fined. They refused to pay the fines and went to jail. Upon release, they continued to sell milk to their old customers, and the DIA continued to watch them. The crisis was solved when Mr. Long died, partly as a result of the stress of this episode. Mrs. Hazel Long now keeps goats.

IN SHEEP'S CLOTHING

With such examples and with such a sudden growth in power, it is hard to understand why civil libertarians have not been more outspoken about the bureaucratic police. To some degree, their blindness appears to be due to their focus on Nazi Germany, Fascist Italy, and Stalinist Russia as *the* examples of a police state. Orwell's *1984* with its "gorilla faced guards in black uniforms, armed with jointed truncheons" has been their archetype of totalitarianism.

Queensland quasi-cops at the ready

But while civil libertarians have fastened their eyes upon uniforms and visible displays of power, the more subtle plainclothed government inspector has opened the door and walked in. The home that used to be a castle has become the tramping ground of numerous public officials.

One finds, among those most vocal in their condemnation of Queensland's "police state" under the hand of Premier Bjelke-Petersen, individuals who have pressed for greater powers for the quasi police. In 1978, while the Australian Labour Party was attacking the Queensland premier over the issue of street marches, a new category of "authorized officer" with powers of entry was turned off the parliamentary production line. The only comment from the leader of the opposition, Tom Burns, was that the powers granted were not wide enough.

In sharp contrast to Orwell's vision of the coming police state is that of Wilfred Greatorex, creator of the BBC series *1990*. Greatorex's scenario is of a totalitarian bureaucracy:

> *It was all infinitely shabbier than they had prophesied. No armed police, no torture chambers, no magnificent worldwide control of power. 1984 had come and gone without the emergence of Big Brother. And yet the prophets had been right....An army of Little Brothers had materialised.*

Because of an old and deeply grounded public suspicion of police, British and Australian legislatures have exercised great caution in granting them additional powers. Although this attitude is, sadly, disappearing, even more unfortunately the same skepticism has never been addressed to government inspectors. And there is a reason for this differential treatment.

The role of policeman is fundamentally a creation of the people. While governments have involved the police in some policy issues over the years, the police constable remains to this day essentially a defender of rights.

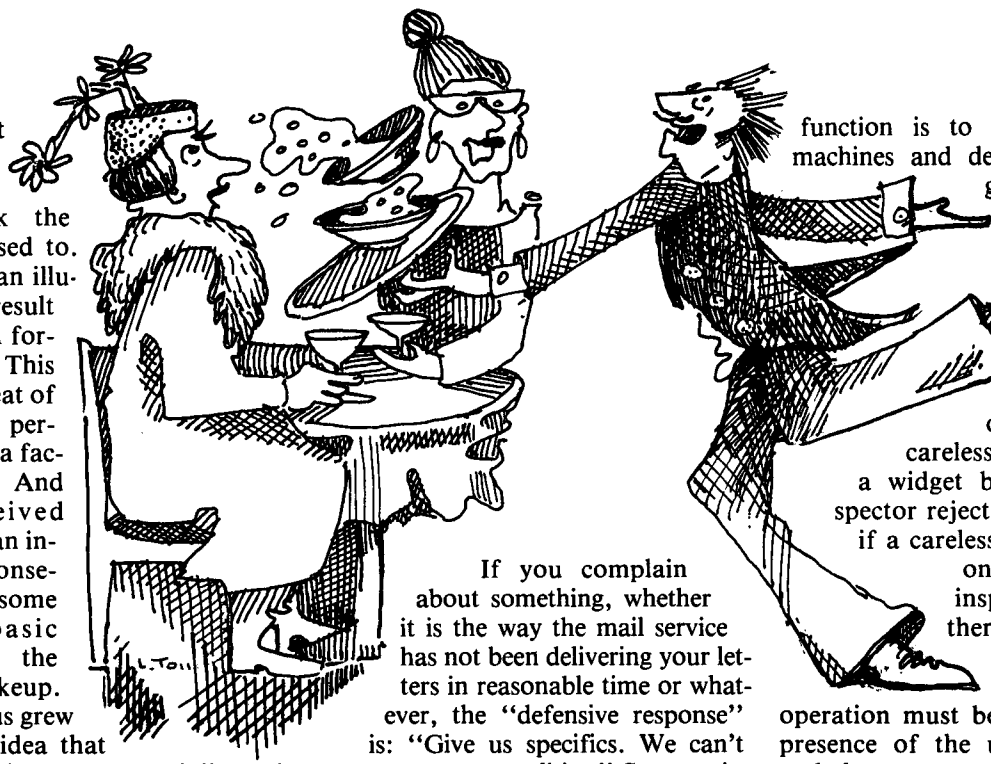
Constables arose in the villages and towns of old England and were originally elected, unpaid keepers of the peace. When Robert Peel organized the police forces in England in 1829, the legislature granted no additional powers to the "new police," for the

(Continued on p. 40.)

Soup In Your Lap

WHY CAN'T YOU GET GOOD SERVICE?

By John G. Kneiling



Sometimes it seems that things just don't work the way they used to. This is not an illusion, not a result of historical forgetfulness. This time the "seat of the pants" perception has a factual basis. And the perceived problem is an inevitable consequence of some recent basic changes in the societal makeup.

Most of us grew up on the idea that American industry specializes in quality products, American machinery is better than any other, American factory help does its thing with more care, and so on. Whether this is true is another matter; whether it was ever true is still another. It is a fact, however, that despite some very visible failures most machines we buy work pretty well. A store seldom sells a seriously defective article. A few well-advertised "horror stories" do not prove otherwise—indeed, the very fact that they are news supports the premise.

So why do we feel that we have more and more complaints? So-called experts in behavior tend to dismiss all such as "anecdotal." That bit calls for an explanatory digression.

If you complain about something, whether it is the way the mail service has not been delivering your letters in reasonable time or whatever, the "defensive response" is: "Give us specifics. We can't correct mere generalities." So you give them specifics—on a certain date at a certain time a certain employee did or did not do thus and so. "Okay. Fine. We shall see that that employee does not make that error again on that date. Next complaint?" When that nonresponse runs out of mileage, the defensive response is: "Your complaint is an isolated case. It is anecdotal. Give us trends. Give us something we can do something about, for we are too busy to concern ourselves with mere incidents." And so it goes. But all this gives us a clue to the nature of the problem.

The traditional factory could and did and still does hire a corps of inspectors to stand between the goof-offs on the factory floor and the customers. Their function is to stop misassembled machines and defective parts from getting out the door. The customers never see the employees who make the gadgets. But a service business is another matter. If a careless assembler installs a widget backwards, the inspector rejects the machine. But if a careless waiter spills soup on you, where is the inspector? Obviously, there can be none in a service trade, where the actual operation must be conducted in the presence of the ultimate customer, and the customer must deal directly with the employee who does whatever the business is selling. In factory parlance, that employee is an "operative."

It does not follow that the service trades have a higher incidence of goof-offs. There simply is no inspectorate between them and the customers. Moreover, that absence leads to more problems than those arising from careless workers. Because service-trade "front line" employees deal directly with the customers, any who are resentful and frustrated, who feel hostility toward whoever makes their livelihood possible, can work off their frustrations directly on the customer. The factory hand who sabotages to vent such feelings cannot

easily reach the customers if the inspector does his job. As we buy more services and fewer goods, we buy more often where there are no quality control inspectors.

Ironically, the consequences circle back to the service-trade employees. The waiter or the secretary who thinks, "Let him get his own coffee," can take direct action. But the boss who has to get his own coffee may just hire no secretary, especially as technology offers alternatives; and the patron snarled at too often stops going to labor-intensive restaurants. Both actions result in fewer jobs, but the people involved do not make the connection.

WHO'S IN CHARGE?

The inspector problem is only half of the story, however. The other half has to do with the limited supply of competent managerial talent.

A huge factory with thousands of employees may find a few managers who (*a*) can manage and (*b*) will do so for salary. The number of such people is a very small fraction of one percent of a work force. The first problem is to find them. The next is to induce them to use their talents in someone else's business. When a factory has thousands of employees, a handful of managers may be found among them.

Now try it with a service business—an airline, for instance. Its thousands of employees are scattered widely in small groups. There are just not enough adequate managers available to assign one, much less one per shift, to each outpost. So the local tentacle is in the charge of someone who lacks ability or willingness to manage, or it is in the charge of no one. And when no one is steering the boat, that fact is painfully evident to the harassed customer. "No one's in charge here" has become a common complaint.

A small factory can cope in a different way from a large one. The talent shortage relates to two criteria—(a) talent and (b) willingness to work in someone else's business. The manager of a small business is working for himself, and removing criterion (*b*) brings the most capable people into the pool, for it is they who most often want to steer their own boats. This brings us to another "new" phenomenon—the franchiser. Each generation of business management learns all over again, as if it were a new discovery, that the brightest talents want to work for themselves. Hence, McDonald's *et al.*

A manager competent to oversee a 40-person operation can run it for himself or for someone else—he can buy a franchise or work for an airline. But the airline can't put him in business for himself at the local station. The airline may offer high pay, but it will still not appeal to the competent manager who wants to run his own business. The greater the talent, the more likely the aspiration and the more realistic the hopes, and the greater the airline's loss.

So the airline settles for what it can get. For instance, seniority promotions in which a baggage-buster gets to be station manager, by right, union clout, or lack of anyone else. Or the employee lacking in confidence takes the "secure" managerial job—a selection adversely biased from the start, since confidence is a vital ingredient of managerial talent.

No portentious conclusion follows from all this. It is food for thought, for reasonable reflection on one of the phenomena of our time. It is evident that the perceived "collapse of standards" is partly real but is not attributable to any disintegration of moral fiber or other cataclysmic development—it is simply an outgrowth of changes in the makeup of what we buy.

Several improvements are possible, and some are in progress. For instance, in New York City it proved impractical to staff the telephone information lines within the constraints of the local labor market and political interference with hiring, so if you dial 411 it is answered in a small upstate town. If the help there gets unsupervisable, the company has wires going elsewhere.

Nationwide reservation systems—in some trades, a point of first contact—spend money on wire tolls to bring the operation to a single place where available supervisory talent can be used more effectively. Successful banks, increasingly, organize to eliminate personal contact—it is a fact that "he has no name; his name is Citibank." The customers may be treated like mere numbers, but they are not hassled by surly employees.

It's certainly true that things don't work *the way* they used to. But it looks like we're discovering how to get them to work as well as they used to. ◻

John Kneiling is an engineer by education and among the jobs he has done lists: dishwasher, porter, laborer, surveyor, college teacher, draftsman, salesman, engineering consultant, designer, steel mill worker, proprietor, and writer.

Sturgess

(Continued from p. 38.)

English were afraid of the possible development of a police state such as existed in France. The first Police Act merely organized the constables into a "force," and the situation remains basically unchanged in the Australian State Police Acts today.

Policemen today still rely largely on the common law for their powers, just as they did 150 years ago. In common law, the constable has essentially the same powers of arrest, entry, search, and seizure as the private citizen does. With such a tradition of caution, legislatures have been by and large reluctant to grant new powers to the police.

Not so with the government inspector! The inspector is a totally political creature. The act of Parliament that brings him into existence defines his functions, grants his powers, and limits his liability. Far from being a protector, the quasi policeman exists to enforce the policy of a particular government: narcotics agents enforce moral policy, Egg Board inspectors enforce economic policy, and so on and on. While political rhetoric may portray these officials as defenders of the public morality or of economic stability, from the individual's point of view they are invaders.

"ONLY DOING MY JOB"

One of the most disturbing aspects of the trend toward a totalitarian bureaucracy is the apparent eagerness with which Australians have applied themselves to the job of bureaucratic policeman. For instance the Royal Society for the Prevention of Cruelty to Animals (RSPCA), a private

organization, has inspectors in most states with powers of entry, search, and arrest. The Victorian branch, lacking these powers, recently applied to the state government to be granted them.

The reverse side of this coin is the apparent ability of "the army of Little Brothers" to see their occupation as just another job. When Dr. Judianne Densen-Gerber, an American psychiatrist and advisor to President Carter, visited Australia in 1977, she was detained for three days by Australian health authorities because of official bungling. "Bureaucracy has the endless nazi cop-out—that I am only doing my job," she said upon her release. "It is a whole system that refuses to allow any assumption of responsibility."

It is hard to understand why civil libertarians have not been more outspoken about the bureaucratic police.

This mentality, unfortunately, has statutory backing in provisions that exempt inspectors from responsibility for acts done in the exercise of their powers. In Queensland, for instance, RSPCA inspectors are not liable for things done in "good faith and without negligence" in the performance of their duties. The burden of proving negligence or an absence of good faith lies with the complainant—an almost impossible task.

Because of the particular policies being enforced, such provisions may seem worlds away from the Nazi police state, but in fact they codify the Nuremburg defense of superior orders and reinforce the feeling of inspectors that theirs is just an ordinary job. They can still sleep at night after sending the Joseph Malias to jail or after walking over some individual who was too overwhelmed to resist. To such people, Thoreau's words in the middle of the last century are apt (Thoreau, by the way, went to jail for refusing to pay taxes for a war with which he disagreed):

If the tax-gatherers, or any other public officer, asks me, as one has done, "But what shall I do?" My answer is, "If you really wish to do anything, resign your office!"

Perhaps more sinister than the attitudes of the government inspectors are the changes in our own thinking. No longer is it acceptable for a man to insist that his home is his castle. On the contrary, the new thinking maintains that anyone who will not let a government official walk over every inch of his home must have something to hide. Upright citizens will welcome increases in the powers of officials, we are told.

THEIR BELOVED DUTY

One hundred and fifty years ago the French aristocrat Alexis de Tocqueville warned of the development of just such a society. Given the difference between his time and our own, Tocqueville's words can only be described as prophetic:

I think...that the species of oppression by which democratic nations are menaced is unlike anything which ever before existed in the world....I seek in vain for an expression which will accurately convey the whole of the idea I have formed of it, the old words despotism and tyranny are inappropriate: the thing itself is new, and since I cannot name, I must attempt to define it.

Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. That power is absolute, minute, regular, provident and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks on the contrary to keep them in perpetual childhood....it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns....

Thus it every day renders the exercise of the free agency of man less useful and less frequent....It covers the surface of society with a network of small, complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent, and guided....such a power does not destroy, but it prevents existence; it does not tyrannize; but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to be nothing but a flock of timid and industrious animals, of which government is the shepherd.

Of the role of the government inspector, Tocqueville made no mention, but just over 50 years later the English author Robert Louis Stevenson predicted his central role in the totalitarian bureaucracy. He warned in 1887:

...this golden age of which we are speaking will be the golden age of officials. In all our concerns it will be their beloved duty to meddle....Our legislation grows authoritative, grows philanthropical, bristles with new duties and new penalties, and costs a spawn of inspectors, who now begin, notebook in hand, to darken the face of England.

Quasi police are the sordid side of government. They are an embarrassment. They are a reminder that laws that do not reflect the will of the vast majority of the people must be implemented with force. George Washington wrote: "Government is not reason, it is not eloquence—it is force!" The imprisonment of Joseph Malia and Hazel Long reminds us that this is so.

When you pick up one end of a stick you also pick up the other. If we continue to demand that government do more and more for us, then we must expect more quasi-police with greater powers. We cannot have one without the other.

The minutiae of modern statutory regulation and the spawn of inspectors it has cast gives new meaning to the phrase "total government." Never was government better prepared to efficiently administer total control. Never were we more psychologically prepared to accept it. The stage is set for totalitarian bureaucracy. For Joseph Malia and Hazel Long, and who knows how many others, it is already here. ◧

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BEARING WITNESS:

Should You Be Forced?

BY DAVIS E. KEELER

In August 1978, M.A. Farber, a *New York Times* reporter, was sitting in jail because he had refused to turn over to a New Jersey court his files for stories that had resulted in charges of murder against a physician. The files were sought by the physician's lawyer under the Sixth Amendment, which provides that the accused has the right, among others, "to have compulsory process for obtaining witnesses in his favor." Farber, on the other hand, claimed that his First Amendment free press rights protected him from being compelled to give information to the court. Both Farber and the *Times* were ruled in contempt of court, both were fined, and Farber was jailed.

MISTAKEN AMENDMENT

This and similar recent cases involving reporters' privileges raise legal issues on which libertarian theory has something worthwhile to say. Although seldom so perceived by those who have raised bitter complaints about such rulings as a threat to freedom of the press, the issue is really more fundamental than the First *versus* the Sixth Amendment. The issue *is* the compulsory process clause of the Sixth Amendment. That is, is compulsory testimony, backed by the contempt power, justifiable—whether or not the press is involved? I have serious doubts about it.

Since the issue involves compulsion of the witness, we must ask whether it is right for *him* to be compelled; as in any other situation, the convenience or necessity of another party is really irrelevant to what is just for the individual against whom some form of coercion is proposed. Can we find justification—that is, a reason referring to justice or respect for rights—in the conduct of the person sought to be compelled? That is where we would have to look, because in the libertarian scheme of rights, there are no general positive obligations, obligations to do something for another as opposed to refraining from doing something to him. Positive obligations arise only from an individual's own actions, such as entering into a contract; the unfortunate straits of another cannot create them.

Positive obligations arise only from individual action; the unfortunate straits of another cannot create them.

More abstractly, what is rearing its head here is the conflict between positive rights (here, the right of an accused person, via the State, to compel testimony) and negative rights (the right of the potential witness to be free of coercion). As an analytic matter, the two cannot be reconciled: if there is a general right to be free of coercion—and freedom of the press, for example, can only be soundly defended on these grounds—there can be *no* positive general rights of any kind. However much we may sympathize with what the Framers were trying to do in the Sixth Amendment, we have to conclude that they made a mistake when they tried to protect criminal defendants by giving them compulsory process. The only reading of that provision consistent with a liberal 18th-century regime of negative rights is to apply it solely against the State and its agents.

WITHOUT CONTEMPT

Although justice is the fundamental issue at stake, the prevailing idea that compulsory testimony is necessary also merits examination. As a general matter, I suspect that its importance is vastly overrated.

We should note, for example, that the most active branch of the government, the executive, has for the most part no contempt power yet functions quite well without it. Administrative agencies may appear to need it to back up their rule-making and judicial functions, but as Goldfarb says in *The Contempt Power:*

> *Our country has always had a contempt power. Other countries have not. The free-wheeling, looser procedures by which civil law countries have progressed governmentally is*

some proof of the fact that the absence of the contempt power of American law need not be equivalent with the collapse of order.

Goldfarb goes on to relate that he has discussed the matter with a number of federal administrative agency attorneys and they report it is seldom used. For example, the Securities and Exchange Commission had used it only about 25 times in history. Even in the National Labor Relations Board, where tempers may run high, only about five cases a year are litigated. The Federal Communications Commission has the power but almost never uses it. The Tariff Commission and the Veterans Administration also have the power but have not used it. Some agencies, such as the Post Office, the Federal Reserve, and the Maritime Board do not have the power at all.

As another commentator remarked in the *Michigan Law Review:*

I wonder if agency investigators truly have demonstrated either a dependence on compelled testimony, or a gain from such testimony that anywhere near offsets the dangers that lurk in powers to compel.

In the legislative branch, the power is supposedly justified by Congress's need to inform itself so as to enact wise laws. In the old days, when congressional hearings were mainly for this law-making function, this power was little used. This is probably the result of the self-interest of various parties who not only need not to be compelled but anxiously seek to testify before Congress in the hope of influencing legislation.

With the use of congressional hearings as a vehicle for exposing wrongdoing, however, controversy over its contempt power has developed. The propriety of using hearings to expose crime or subversion, rather than draft new laws, is still actively debated. But whatever one thinks of the desirability of congressional exposés, past experience does not suggest that the law-making function of Congress is dependent upon compelled testimony. For this purpose, Congress has an overabundance of witnesses, not a shortage.

Engraving by Picart

WILLING WITNESSES

Even on the judicial side, I am not convinced that compelled testimony would be essential in a properly structured legal system. We know from our experience in so many other fields that rights-respecting, freely arrived-at solutions constantly solve problems that the statists have found insurmountable. We could expect people, once they realized that the government could not compel testimony, to adjust their conduct to allow for this fact. For example, there would almost certainly be included in all insurance arrangements contractual obligations to testify. Inasmuch as these would be special, rather than general, obligations, there would be no analytical conflict with the general freedom from coercion.

The most active branch of the government, the executive, has little contempt power yet functions quite well.

It would be interesting to find out to what extent courts actually rely on compulsory testimony in their normal operations. I am told by a criminal prosecutor that in his experience courts do not enforce witness subpoenas in cases not involving serious criminal offenses. As I look at the evidence, I do not believe that a strong case can be made for the necessity of compulsory testimony, especially under a legal system that encouraged institutional arrangements providing for other, voluntary means of obtaining witnesses. But until we bite the bullet and face the central issue—whether our right to freedom from compulsion includes a right to be free from compulsory testimony—many more Farber cases can be expected to arise, but without any prospect for satisfactory resolutions. ◻

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The editor of *Barron's* talks about business and the Fourth Estate, inflation and collapse, Carter and Reagan, taxes and the economy.

Christopher P. Stephens

REASON INTERVIEW

ROBERT BLEIBERG

Each week, nearly one million Americans sit down to read a highly respected national newspaper edited by one of the country's most knowledgeable and articulate champions of a free society. The publication is Dow Jones's Barron's; *the editor is Robert Bleiberg.*

Bleiberg is, in many respects, sitting in the optimal seat from which to peruse the great United States. As newspaperman, he gets to peek at the news media. As financial expert on Wall Street, he sniffs the very first winds of a changing business climate. As political commentator, he sees most every move that the politicians make. And since he sees (and sniffs) all this through free-market-colored lenses (or laissez-faire-*scented nose guards), he becomes a most fascinating subject for* REASON *magazine readers. Thomas Hazlett, economist and frequent* REASON *contributor, interviewed Mr. Bleiberg in the editorial offices of* Barron's *in the financial district of New York City.*

REASON: Let's start right in with the news media. Their economic illiteracy seems to have gone past the point of desperation. *Barron's* is one of the few publications that actually displays an understanding, both on the editorial page and in the articles themselves, of the economic process. How do you do it where other people don't?

BLEIBERG: Let me start by saying that *Barron's* is a small, self-contained publication. We have 18 or 19 full-time staff writers putting out the entire product. We also buy some material, and some material is contributed, but by and large we are talking about a relatively small staff. Nothing gets into the publication that I haven't read, literally. I would have assigned quite a number of the stories along with my colleague, Alan Ableson. The two of us, I would say, are responsible for virtually all of the non-column content of the publication. So you're dealing with a publication that can in effect represent a fairly coherent point of view, a fairly consistent editorial

You couldn't go to a university in this part of the country in the '30s and early '40s without coming out a wholly convinced statist—it took me 15 to 20 years to unlearn.

philosophy and editorial background.

REASON: Do you get journalists who are different from the ones who write for other newspapers?

BLEIBERG: No. We have no loyalty oath at *Barron's*! The people who come to work for me may share my views, but I know in several instances they do not. And all I ask from them, particularly if they are feature writers—and most of our staff consists of feature writers and columnists—is that they do an honest job of journalism, following along a story idea that I or Alan will have given them.

REASON: Isn't there any interest at the *New York Times* or CBS News in the actual economics behind "obscene profits" or "consumer rip-offs"?

BLEIBERG: I think it's perfectly clear from the content that most of the editors grew up in an intellectual tradition entirely different from the free market, if not indeed hostile to it. That's clear from the editorial policy that the *Times,* for example, has pursued, and it's fairly clear from the news stories which from time to time show the same sort of uninformed view of what is going on in the world. I don't think they've ever outgrown their college educations. It took me about 15 years. Fortunately, I've been professional now for 30-odd. But the prejudices of the late '30s and early '40s were all-pervasive—let's never forget that. You couldn't go to Columbia University, shall we say, let alone other colleges in this part of the country, without coming out a wholly convinced statist. And it took me 15 to 20 years to unlearn, and I did that basically through on-the-job training around here.

REASON: This is an interesting scoop to hear that the editor of *Barron's* used to be a believer in socialism.

BLEIBERG: Well, I wouldn't go quite that far. I was certainly a...I voted Harry Truman in 1948, and I don't mind your printing that.

REASON: How did the change come about?

BLEIBERG: It started in the Army, seeing the way they went about things. I was drafted into the infantry straight from college and spent 18 months in the Pacific. A good many of my college classmates were killed in the infantry by an ill-fated government program called the Army's Specialized Training Program, which for a year or so purported to make the best possible use of the Army's college men by giving them further college training. I had just graduated from Columbia with a major in economics, and I was put in a freshmen engineering course at Bradley Tech, but that's by the by. For about a year they fooled around with us and then in the end, as the war really heated up, in early 1944 shipped us all out to whatever infantry divisions needed replenishment. Quite a number of the people are lying somewhere in the South Pacific right now. That began to jolt me a little bit about the way government treats people and the way it uses resources.

When I got a job at *Barron's* in 1946, I had the singular good fortune to take some basic training in journalism under a man named John Davenport, who took over the publication in 1950 and is a dedicated free-market advocate.

REASON: Why is it that businessmen have such a hard time explaining their position to the public?

BLEIBERG: The businessman's position, to begin with, will be filtered through eyes that I think are basically unsympathetic. There is very little doubt that the average newspaperman, in or outside of New York, is probably not well disposed toward business. But I also think there's been a major problem with many businessmen either not knowing exactly what they are talking about or not being entirely candid, and that's hard to overcome. To this day, you'll get press releases in a *good* year that quite properly start out that the XYZ Corporation showed record sales and earnings in the three months ended June 30th. And they'll give you chapter and verse; there's nothing wrong with that. But then you'll get a poor year, and XYZ Corporation reports record revenues in the second quarter and maybe all the way down at the bottom of the page or page two, you'll find out that their earnings were cut in half between April and June. Now there's still a little too much of that. So it's a combination, I would argue, between a cool, if not unfriendly, newsman and a businessman who may be trying too hard to put a good foot forward.

REASON: Let's talk about the illiteracy of the business community itself. What should we think about corporate presidents who couldn't pass a basic price theory test?

BLEIBERG: These days, you're going to find they're probably few and far between. But I'm not sure how much I would blame him for his intellectual inade-

Tens of millions of people are being made to suffer from inflation, made to have their long-range plans thrown into a cocked hat and the dreams for their families totally upset.

quacies. He is, after all, running a company, which is an entirely different job.

REASON: Well, this is the question—should we be concerned about this?

BLEIBERG: We're almost forced to be concerned, just in the same way as these days the businessman is forced to take on this extra responsibility. He should not have to. He should have, in my opinion, a very well trained school of intellectuals who, by their own leanings, would be taking up his cudgels, exactly as *Barron's* does, editorially speaking. You're probably familiar with some of the editorials we've done—for example, on behalf of drug companies and against the Food and Drug Administration, or on behalf of automobile companies against the EPA. Well, it's been a lot of years and a lot of editorials, and in all the years and in all the editorials, I can count on the fingers of one hand the number of times I was inspired to do a piece like that by the targets of these agencies—by the victims. You don't find terribly many effective spokesmen for business *in* business, and you certainly don't find very many of them in the media.

REASON: But this doesn't bother you that there is this division of labor?

We've had several major bank failures in the past five years, all of which have been covered over, paper swept under the rug by the powers that be.

BLEIBERG: I think ideally the division of labor *should* exist. If we had a genuinely free market in ideas—and I've wrestled with the question of why we haven't for a lot of years—*Barron's* would not be alone (*Barron's* and the *Wall Street Journal,* to be more precise about it). And this is extraordinary, because this just leaves a field entirely open to us. We have a semi-monopoly here in certain areas of news coverage which are important, which should be something an eager journalist would want to get a piece of. If more publications did have editorial policies like ours, the businessman could relax a little bit. Unfortunately, since there aren't, he finds himself in the uncomfortable position of having to be his own advocate, and he's not very well suited for that job.

REASON: He could relax and go back to concentrating on competing in his market.

BLEIBERG: Yes. And answering questions honestly, which would really seem to me to be the extent of what anyone should call upon a businessman to do. But instead of that, he increasingly finds himself having to take up his own cudgels. And it's a very rare business these days that doesn't have some tiny little skeleton tucked away somewhere. Twenty-odd years ago, the head of the Federal Trade Commission, Lowell Mason, said that anybody in business is breaking the law. This was in the late '50s. Now can you imagine all the regulations that have gone on in the past two decades and where that leaves a major corporation these days? Wittingly or otherwise, they're undoubtedly in trouble with some agency or another.

REASON: Let's talk about the economy. How much of a mess are we in?

BLEIBERG: We've been in a mess of one kind or another, and we've certainly been in an inflationary mess now, for at least 20 years, and probably more than that. *Barron's* concern with this problem dates back to the late '50s, believe it or not, when one of my colleagues, now unfortunately deceased, bet an assistant vice-president of the Federal Reserve Bank of New York in 1958 that the United States would lose a billion dollars' worth of gold—bet him a box of cigars, and he collected. In 1958—this is right smack in the middle of the Eisenhower administration—the United States lost $2 billion worth of gold. Most people tend to forget that something called the London gold pool was started in October 1960, because the price of gold in London had soared to the then-unprecedented figure of $38.40 an ounce and jolted the central banks of the world to the point where they set up this gold pool.

What I'm saying is that the mess we're in now began in the '50s when we began to spend more than we took in, both domestically and internationally. The balance of payments in this country began to tip against us in the early '50s. That dollar gap that people talked about then was disappearing even as the expression was being coined. When George Humphrey resigned in 1956 as secretary of the Treasury because he disagreed violently with the policies he could see unfolding, and decades too soon said we'd have a depression that would curl your hair, he was simply pointing out that the long-term consequences of the policies we were embarking upon under Eisenhower were wrong—were inflationary and wrong. And there was *Barron's* pointing that out at that time. That's a point of view we've never varied, never wavered from—that the government was following wrong policies.

We are also, of course, a weekly publication, and while I think it's part of our job to point out long-term consequences of things, we've also got to go from cycle to cycle and from week to week. We do write for investors, and we like to be on the right side of the cycle, and we like to be on the right side of the markets if we can. That's a job that we've undertaken to do for our readers, to give the best and most dispassionate view of the way we see things going in this particular cycle.

REASON: What makes you think we are going to have a collapse? Why can't we just continue to get poorer like, say, Great Britain? This almost seems to be an article of faith today, among people who advocate the free market; it is automatically assumed that there *has* to be an apocalypse rather than a long, protracted decline of wealth.

BLEIBERG: Well, all right, because we have seen signs of it. We've approached the danger point in interest rates. In the autumn of 1974 there was a two- to four-week period when the banks were having difficulty rolling over their certificates of deposit, and we have it on the authority of no less than a major New York City banker that he feared for the future of the banking system. It was touch and go.

I would argue that the same thing happened—very close, very, very comparable to it—in March 1980 when word came out that they had suspended trading in the securities of Bache group. For an hour or two it looked as if the whole bottom had dropped out of things, and that could have been the forerunner of a major financial crisis. It turned out it was not; it was a great buying opportunity instead, but I venture to say it would have taken a very sophisticated, knowing speculator to have jumped in that afternoon. Somebody did, more power to him.

REASON: With ice water in his veins.

BLEIBERG: Yes. But what I'm suggesting is that we have seen cracks in the structure already. Twice. We've had several major bank failures in the past five years, all of which have been covered over, paper swept under the rug by the powers that be; and so far they've succeeded very well in doing so. And I'm not the one to say that the next time around there will be a major collapse, although it seems to me that it's increasingly likely. And to the extent that we avoid the collapse, we do so by turning on the floodgates again. And what does that do to a nation year after year and decade after decade? How does a country like this one live with double-digit inflation? I don't know. I wouldn't have thought we could get this far in the process *without* a collapse, to tell you the truth. But unless we change our ways—it's always my way out, here; and it's not to be despised, because I think there's a fair possibility we may change our ways—we face the ugly choice of running the risk of a financial collapse or running the risk of mounting inflation.

REASON: What if we look at it this way, though? Mightn't it be the case that the collapse has already occurred? The value of the Dow Jones Index is lower today, not even adjusting for inflation, than it was, what, in 1972?

BLEIBERG: Surely.

REASON: When inflation is taken into account, an incredible loss of wealth that I would assume is much larger in dollar terms than the 1929-33 financial collapse of the New York Stock Exchange.

BLEIBERG: Well, if you want to talk about the bond market, you've proven your point.

REASON: And the federal government now reports, what is an incredible statistic, that the average American worker is no better off today in terms of after tax take-home pay than he was in the late '60s. When you look at the history of America, where every year, year after year, a real increase of two or three percent of wealth has now been arrested for the last, say, dozen years, maybe we've already seen a collapse—but due to inflationary policies, we think we're still living in the lap of prosperity.

BLEIBERG: I can't quarrel with your analysis as far as it goes, and it goes just too far perhaps. We haven't seen a collapse. We have certainly seen a lack of progress. We have certainly seen retrogression in many ways, as you pointed out. I accept all of that. But that to me is only the first act. This is something that cannot just stagger along from decade to decade. I think either you will see an inflation that will, for us, be a massive runaway in the 25 to 30 percent range or see something in the structure give way and break. I don't think we can just keep going for another 10 or 20 years, with people slowly losing ground and losing hope. I suppose the British have managed to do it, but they're a unique people in many ways. I don't even think they're aware of what the hell's happening, although, let's not forget, there's been a basic change in their government, a genuine Conservative there now who is sticking to her guns. And Britain may in fact be a big argument for my point of view that after a while this does give way to something, either something better or something far worse.

REASON: We had a very interesting thing happening in 1980. Jimmy Carter tightened the money supply, raised interest rates, and sat through a rather marked increase in unemployment in an election year. Was he serious in his aim to stop inflation?

BLEIBERG: No, I don't think so. And I wouldn't say that in any way, shape, or form we had genuinely tight money, although I suppose Carter deserves a small amount of credit for not turning the floodgates entirely loose. I suspect that his reluctance to do so, unlike the stand publicly taken by the Democratic Convention—which was, I guess, a celebration of all the values that are disappearing from the political scene—reflects the new realities of politics, namely, that far more people now, finally, are being hurt by inflation than have been helped by it. For every one million unemployed, there are nearly 13 million jobholders. So there's a very substantial number of people who have nothing to show for their efforts for the past 10 years, and I think the reason why is beginning to dawn upon them.

Either you will see an inflation in the 25 to 30 percent range—or you will see something in the structure give way and break.

What I am suggesting here is that inflationary policies are no longer the political be-all and end-all they might have been or it might have seemed 10 years ago and that unemployment at seven and a half and eight percent is not the political horror statistic it used to be. Everybody is increasingly aware of things like the 95 percent of take-home pay that automobile workers get when they're out of a job for a year, so it's perfectly obvious that that statistic vastly exaggerates the amount of economic misery connected with it. While one person losing a job involuntarily is to be pitied, it's perfectly clear that *so are* the tens of millions of people who are now being affected by inflation, made to suffer from inflation, made to have their long-range plans thrown into a cocked hat and the dreams for their families upset by a 10 to 15 percent compounded annual inflation.

REASON: What difference will Reagan make? When I look at the Nixon and Ford years, I really don't find very many policy differences from the Kennedy-Johnson and Jimmy Carter administrations.

BLEIBERG: That's entirely right. And there's a major

risk that we're going to have more of the same. On the other hand, if you contrast the 1980 Republican platform with the 1980 Democratic platform and with previous Republican platforms, you've got to concede at least the possibility that this time around just might be different. Certainly, the cast of characters coming to the forefront is quite different. Jesse Helms, for example. Whether he is as important as he might think he is or some of his people would like him to be is not the point. The point is he is having some influence. The fact that there is no discernible Rockefeller contingent any longer strongly suggests that there is finally, out of a lot of turmoil, a Republican platform that's more or less consistent and some elected Republicans who are more or less consistent, and if they just more or less follow through on their platform, I would think that this country is going to have a better shot at doing better in terms of public policy than if the Democrats had been reelected.

REASON: Why are West Germany and Japan so quickly outstripping the United States in economic growth?

BLEIBERG: Let's not forget that Germany and Japan have been living under our nuclear umbrella, such as it may be. At one point it was a powerful shield. These days, it may leak like hell, but they have been living under it for a lot of years. And from the standpoint of the economic balance sheet, military expenditures are totally wasteful expenditures. I consider them highly significant, important, but they don't help your economy very much; they are a waste of money from year to year. That money is spent unproductively, taxed away from individuals and businesses and spent unproductively. And the German and Japanese economies have, by and large, been free of that burden for the last generation. It's been an enormous advantage to them.

The new Congress has dozens, literally dozens and dozens, of sensible gambits to take for reinvigorating investment and economic growth in this country.

I think, by the way, they're no longer really doing quite as remarkably well as they had been. Both the Japanese yen and the German mark, for example, have not been notably strong this past year—certainly nothing like what they were two or three years ago. They have not been strong either in terms of gold or in terms of the American dollar, particularly. I think they are running into some troubles of their own. While they have pursued policies that in many ways are superior to ours, I don't think that they're the economic miracles they once might have seemed to Americans.

REASON: Well, the West Germans now have a higher per capita income than we do in this country.

BLEIBERG: Yes, I think that's true.

REASON: Rather remarkable, given where they were 30 years ago.

BLEIBERG: There's no gainsaying that. These are all very hard-working people. But also, let's not forget that they enjoy a much better tax structure than we, right across the board in many ways—personal income tax brackets, capital gains, depreciation policies. The 10-5-3 bill that people have been talking about, to speed up depreciation and amortization—these are measures that have been standard operating procedure in both Germany and Japan for 30 years. Now that adds up from year to year in terms of reinvestment, industrial development.

REASON: Well, then, what is going to revitalize America?

BLEIBERG: We have one hope, as far as I'm concerned. I think it's important to point out that even under Jimmy Carter we did get the first sensible piece of tax legislation in probably 15 years—the Revenue Act of 1978. That started out to be the last word in tax reform. It was going to be the culmination of a 10-year determined effort by the Treasury Department, by the IRS, to tax every conceivable dollar that they could get their hands on. Well, it didn't turn out that way. Instead, we ended up with a piece of legislation that cut the corporate tax a couple of percentage points and, most importantly, cut the capital gains tax from an effective rate of around 50 to 28 percent—an incredible turnabout in values, in public policy. I think that for the last two years a consensus has slowly been forming, a bipartisan consensus, that we have gone much too far toward overstimulating consumption at the expense of investment. And the new Congress has dozens, literally dozens and dozens, of sensible gambits to take for reinvigorating investment and economic growth in this country.

REASON: So you look to tax cuts to revitalize American industry?

BLEIBERG: Tax incentives. They may be cuts—they are always couched in cuts. The cost of them is always overstated. The cost of the 1978 capital gains tax cut was first put at almost $3 billion a year. Well, the numbers are now in, and it's winding up that the United States Treasury is not losing *anything*—at a 28 percent rate, it's taking in as much as it did at 49 percent two years ago. So, at no revenue cost to the Treasury, the entire spectrum of new issues has been revived, a whole slew of new companies are being formed, new stocks being floated, economic activity being engendered which otherwise would not have happened. If you look at any balance sheet at all, the last two years have been a triumph for supply-side economics. Now, of course, every tax incentive will not have, necessarily, that splendid result. There will be some cost to the Treasury, but so what? Let's take the Libertarian Party's 1980 white paper on the budget. I love the idea of cutting $150 billion out of nondefense spending, wiping out the Department of Energy, wiping out the Department of Education. If you took even a *third* of it, just cut government spending $50 billion and spread that over the spectrum of tax incentives that I'm talking about, you would have gone further toward turning around our basic situation of stagnation or stagflation than we've done in 30 years. And I'm hopeful that something like this is going to happen.

REASON: But you do think that money would come out

of the Treasury—which is to say that the Laffer Curve people don't impress you?

BLEIBERG: I won't go that far, but I don't want to take the risk that it doesn't happen and you suddenly have to finance another $20 or $30 billion deficit that you weren't counting on. I don't see why one should take the risk at this particular juncture when there are tens and tens, if not hundreds and hundreds, of billions screaming to be cut from this swollen federal budget. The government is crying out to be cut. It should be cut for philosophic reasons. Forgetting about fiscal and economic reasons, let's cut the hell out of it for very good reasons: there is too much government, and government is not doing what it is supposed to do, namely, maintain domestic tranquility and provide a shield abroad. It hasn't begun to do that in the last 20-odd years. Let's go back to doing what government *should* be doing. I want to cut government spending for *that* reason. But I also then say that it's a lovely way to combine cutting government spending with tax incentives at one and the same time. The *last* thing it seems to me you want to do is leave the government the size it is now. I'm not taking a position on Laffer. Why worry about Laffer at this particular juncture when government is screaming to be cut by the $150 billion the Libertarians talk about.

REASON: A serious question that plagues many market-oriented economists and social philosophers is this: Can businessmen be trusted with capitalism? Every time we turn around there seems to be another Lee Iacocca running to Washington, usually under a much better cover than an outright request for direct subsidy.

BLEIBERG: I think that's the wrong question. If government were put in its proper place, your question would fall into perspective. It would be irrelevant. You wouldn't have to trust businessmen, who aren't any more inherently trustworthy or untrustworthy than some government bureaucrats, let's say. But let's not trust the businessman. Let's just make sure that even the worst-disposed businessman of all would get a very frosty reception in Washington the next time a question of a billion-dollar subsidy came up. There would be no billion dollars available for subsidies. We would turn the clock back, shall we say. In which case it wouldn't much matter whether we could trust the businessman with capitalism—he wouldn't have anywhere to go.

REASON: True enough, theoretically, but even a hundred years ago when government was much smaller—$500 billion smaller—businessmen were still running to Washington and getting favors, tariffs, railroad grants...

BLEIBERG: Yes, of course, that's perfectly true. We have never had an unalloyed free market in this country, no question about that. You will always find people who will put their short-term advantage over a sensible long-term view of how a society should function. I find nothing to despair about in that circumstance, nothing unusual about it. It would be remarkable, human beings being as imperfect as inevitably they seem to be, not to find some businessmen who couldn't be trusted to operate in the way that Adam Smith would prefer or Ayn Rand would prefer. But if enough people have realized that this is short-sighted, this is the wrong way for public policy to go, that Chrysler should be allowed to go broke, and you have structured your society and your economy politically so that you simply gave them no houseroom, then it wouldn't much matter what their sentiments were. Government would simply have no favors to bestow.

This country from day one was never philosophically whole—that's one of its problems, of course. And the favor-seekers are always present. But government in the 18th and 19th centuries was so small that except for just a handful of cases, there were no prizes to bestow, no favors to give, and so businessmen just had to get out there and scratch. That's the way I would hope to see it at some time in the future.

REASON: Are some businessmen beginning to be willing to stand up against special favors for business? Are they waking up to the fact that you can't have your cake and somebody else's cookie, that you've got to oppose all regulation and subsidy to oppose any?

BLEIBERG: I think you're seeing the beginnings of it. You're certainly seeing the beginnings of businessmen standing up for their own interests. Let's start with that. We have sunk so far that until the last few years you would find businessmen supinely accepting the worst affronts and not only *accepting* them but also *saluting* them. Let's never forget the way President Nixon's wage and price controls and closing of the gold window were hailed both on Wall Street and throughout industry in August 1971. Both economists and businessmen were hailing this massive new intrusion into their rights to manage their enterprises. I think we've come a long way from that. Enough businesses are being hurt by government regulation now that at least the industries involved are saying things that they wouldn't have said before. They're taking up the cudgels for themselves. You can see it in the advertisements that are running now very frequently, certainly as compared to five or ten years ago, when they were almost unknown. I think it will be a fairly short step from there to taking up philosophical cudgels for the society as a whole, and I think even now you can see some signs of that. SmithKline, for example, has addressed itself to broad issues of public policy way beyond its own corporate concerns by publicizing views like those of Walter Williams on the minimum wage, pointing out that the chief victims of the minimum wage are the young people. And SmithKline has been brave enough to take out ads not only in the *Wall Street Journal* but in *Newsweek,* where it's not just their friends they're talking to.

Let's cut the hell out of the budget for very good reasons: there is too much government, and government is not doing what it is supposed to do.

REASON: Unfortunately, our time is running out, but thank you very much.

BLEIBERG: Sure. ◻

Supplying the Demand for Nonsense

viewpoint

Alan Reynolds

An informed source reminds me that the source of the phrase "supply-side" economics was Nixon's chief guru, Herb Stein. It began as an epithet against Art Laffer, Bob Mundell, and their evangelist, Jude Wanniski (then associate editor of the *Wall Street Journal*). After a canned martini on the antiquated train to Morristown, New Jersey, I had mentioned to my neighbor, Jude, that Professor Stein had coined a sarcastic phrase, "supply-side fiscalism," at a conference at The Homestead in 1974. It sounded fine to me—simpler and more comprehensive than the "wedge" or "Laffer Curve." So, supply-side economics began to enter our consciousness through Wanniski's powerful editorials.

The basic idea that marginal tax rates affect behavior in unproductive ways is, of course, quite ancient. Among many other places, it was implied in my first article in *National Review* back in 1971, where I wrote that "what we are experiencing is more of a tax-pull than a wage-push situation. Inflated government has raised the cost of living through high regulated rates and excess money creation, while it reduced real incomes and economic growth with oppressive taxation."

We are all supply-siders now, but it means different things to different people. Prof. Martin Feldstein of Harvard is on everyone's list of supply-siders, yet look at what he writes in the *Wall Street Journal* (Nov. 5, 1980): "Slower growth of money dampens economic activity, creating excess capacity and unemployment.... Such slack directly slows the increase in prices and wages." This Phillips curve notion—that inflation is a matter of too much production and employment, rather than too much money spent—is almost the opposite of supply-side analysis.

Now we are blessed with a Commerce Department pamphlet, *Growth Policy for the Eighties: Proceedings of a Workshop on Supply-Side Economics*. Unfortunately, Commerce neglected to invite more than one out of 14 participants who had the vaguest idea what supply-side economics is all about.

The results are amusing. Otto Eckstein of Data Resources says, "I take supply economics to be a kind of catch-all which at one time related mainly to the desire for economic planning." Arnold Packer worries (with some justification) that "supply-side may be just another word for bailing out industries." Jerry Jasinowski somehow includes wage-price controls among "supply-side remedies." Barry Bosworth says budget deficits are needed to "soak up excess savings and maintain aggregate demand." That's about as far from the supply side as you can get.

Professor Eckstein goes on to present an elaborate excuse for his own "failure of inflation forecasting." He talks about core inflation, which simply describes inflation's effect in labor and capital markets. Then he pulls out other familiar symptoms of inflation—including falling exchange rates, rising import and farm prices—and unconvincingly calls those "supply shocks." Whatever is left is then defined as due to excess spending.

This embarrassing confusion of cause and effect is then mixed with an archaic long-term Phillips curve: "If you want to get the core inflation rate down by one or two percentage points," says Eckstein, "you have to create a near-depression and leave the economy there." Data Resources itself recently made a few trivial gestures toward supply-side analysis, but their "new" model remains demand-driven, hopelessly rigid, and consistently wrong.

After all this, the contribution of Michael Boskin was refreshingly sensible, though muddled in spots. "There is very little evidence," says Boskin, "that taxes have much effect on the hours of work or participation rates of prime age males.... Because of that, I question the conclusion that a cut in tax rates would be a large enough stimulus to the economy to actually increase tax revenues very quickly."

The trouble with that sort of assault on the Laffer curve is that Boskin himself correctly noted that "the effects of taxes on labor force participation rates are probably the least important effects of taxes on the supply of labor." More important, said Boskin, is "how hard people work, their investments in their human capital, their education, on-the-job training, and occupational choice. Things that affect their work effort." That is also what Professor Laffer means about marginal tax rates discouraging personal effort, so the proportion of prime age males who claim to be working or looking for work is largely irrelevant.

Everyone seems to feel obliged to criticize supply-side economics without first discovering what it means. It *doesn't* mean that the amount of money spent (demand) is unimportant, nor that any tax cuts are necessarily a "free lunch." Supply-side economics just means that people will provide more labor and capital to markets, and do so more efficiently, when they get to keep a larger share of any added earnings.

A reduction in government spending will transfer resources to market-determined uses, but it does not do much about the marginal incentive to add to production. A reduction in marginal tax rates, on the other hand, lets people keep more of any added earnings garnered from producing more, regardless of government borrowing. It is not a matter of dollars in consumers' pockets (which could as easily be printed), but of motivation to produce more of what others want. The deficit does not directly add to spending anyway, since the government borrows from X to give to Y—adding nothing to even nominal purchasing power, much less to real income (which is the same as real output). More money will add to spending, but that can't have any lasting effect on real, after-tax incentives.

Well, these are just hints. But it is frustrating to talk classical economics to quaint Keynesians. They accuse some of us of being 19th-century economists, when we're really 18th-century economists. Still, that's a lot more modern than the mercantilist ideas being revived over the past few decades.

Alan Reynolds is vice-president of research at a major US bank.

money

Turning Gold into Money

By Steven K. Beckner

What does one do in a flat or even falling gold and silver market? Some will panic and sell their holdings. Others will view lower prices as a great buying opportunity in anticipation of higher prices in the future.

It seems reasonable to assume that the long-term trend for the precious metals will continue to be up, but it is difficult to say when that will become evident. The Reagan election has fostered great hopes for the American economy that have overcome doubts about his potential impact on the level of world tensions. The new administration could reduce taxes and regulatory burdens, in the process stimulating productivity and lowering inflation. But this will be a tough row to hoe, especially since Reagan has set a stern course toward an expensive military buildup. In any case, structural inflation has a momentum of its own.

Things *are* bound to be better than if Carter had been reelected. But when it becomes apparent sometime next year that inflation will not be routed in landslide fashion, those ever-cynical bullion markets are sure to register that realization—other things like basic supply and demand for metals and world peace being equal (which they never are). With prices moving lower at this writing, however, and likely to at least remain quiet for awhile, what does one do with his precious metal holdings right now? Those who are disinclined to divest themselves and who may even want to add to their holdings at lower price levels do have some little-noticed alternatives—some options, to be precise.

Anyone who has ever considered buying "call" options on gold or silver knows that the premiums are quite high on these rights to buy metal at a certain price within a specified length of time. But, looking at it from the option *seller's* point of view, the very fact that premiums are so high presents an interesting investment strategy. Anyone with a minimum of 100 ounces of gold or 1,000 ounces of silver can "write" call options on his holdings, through a broker, with options dealers like Valeur White Weld and Dowdex (for gold) or Mocotta Metals (for silver). You thereby give the purchaser of the "call" the right to buy your gold or silver at an agreed-upon price with a certain period of time (usually three months). You risk losing your metal, but you also get respectable income, while limiting your own potential losses from a fall in price.

"We believe you should own precious metals, because they have proven to be the only true money to own," says Michael Boyd, Jr., vice-president of Crucible Securities Management of New York. "But the case for options is that, since precious metals are a nonearning asset, in a flat market they are an expensive asset to own." Not only does the owner forgo the returns available on other investments; he pays storage and insurance costs. Crucible, which manages investments for the Deak-Perera Group, seems to be the leading exponent and practitioner of gold options writing at the moment. William H. Miller, the firm's treasurer, says that premiums on gold and silver options are now so high that writing calls on one's gold is a low-risk way to "convert a nonproductive asset into an income-earning asset."

Annualized returns on options writing have sometimes approached 40 percent, according to Boyd. He recommends that "you write options against only half of your metal in order to generate enough income to make it attractive to hold your metal on an overall basis." As an example of how this intriguing play might work, assume that you had bought 100 ounces of gold at $600. (If you had bought it at $100, so much the better.) So your cost is $60,000. Let's say you write a three-month call option with a "striking price" of $660 for a premium of $30 per ounce. To start with you would receive an immediate premium check of $3,000. That, in effect, makes the cost of your gold $57,000. Should gold rise above $660 within the three-month life of the option and the purchaser of the option exercises his right to buy your gold at $660, you would sell your gold for $66,000.

In this example, your upside potential is $90 per ounce, and you are protected from loss up to $30 per ounce (this does not include brokerage fees). If, during the life of the option, gold did not move enough to put the option "in the money" for the buyer, you received good income on your gold and avoided delivery.

In order to play the options game it is necessary, first of all, to have at least 100 ounces of gold or 1,000 ounces of silver, for all options must be fully collateralized. You cannot "short" the market. It is also necessary to place your gold in a warehouse approved by the guarantor of the option's performance. Although the major gold options market is in Switzerland, it is ordinarily possible to arrange storage and even delivery in the United States.

Despite the income-earning potential of call options, some people might not be comfortable with the risk of losing their gold if the option is called. Dr. Wray A. Kunkle, who trades commodities for Wheat First Securities in Washington, suggests an alternative method of hedging a stagnant or falling gold market. "I'd rather buy 'puts' (rights to sell at a certain price) on Homestake Mining shares," says Kunkle. "It's much safer. If you're really bearish on gold, you can buy puts on Homestake, and you can sleep at night. Nobody is going to take your gold. It's the least expensive insurance policy around." In mid-November, Kunkle notes, with Homestake selling at $74, April puts with a striking price of $50 were selling at 15/16 ($93.75 per 100 shares).

Selling calls on actual metals is only plausible, contends Kunkle, if you are convinced that gold is either going straight down or sideways. In reality, he added, the gold market is extremely volatile, and wild price swings could unexpectedly activate a call option.

Boyd demurs from the Homestake "put" idea. "They're not the same—apples and oranges," he argues. "Homestake is a piece of paper. The vagaries it is subject to are not quite the same as the metal." Moreover, Boyd contends, since Crucible advises its clients not to write options on their entire gold holdings, their own scheme makes sense. "The income is so large in the short term that you could risk losing gold at a comfortable price," says Boyd. "And you would anticipate buying it back," he adds, at an attractive level.

Anyway, who says gold can't earn income?

Steve Beckner is a free-lance financial writer, the editor of Deaknews, *and the author of* The Hard Money Book.

Do you have an investment question? Mr. Beckner may have the answer. Send your query along to REASON Money, Box 40105, Santa Barbara, CA 93103.

(A limited number of reader questions can be answered in print; personal replies cannot be made.)

spotlight

Spending Slasher

By Patrick Cox

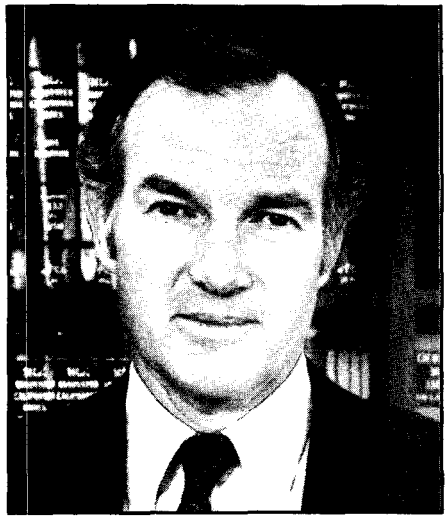
It was early 1972 when Lewis Uhler, assistant secretary of the California State Human Relations Board, prepared and circulated to the Reagan administration a memorandum on a new approach to the problem of excessive government spending. The idea of an over-all limit on the aggregate share of people's earnings available to government was not original with him, but it seems to be the first time the approach was set into motion. The idea soon led to his appointment as chairman of the governor's tax-reduction task force, a tax-supported committee dedicated to finding ways to reduce the size of the government budget.

Uhler already had experience in paring government from a previous stint as state director of the Office of Economic Opportunity. His attempts to keep the poverty industry lawyers in line earned him the reputation of Ronald Reagan's anti-poverty "hatchet man." Since then, he has also earned the reputation of "father of modern spending limits."

His early activities led to the original California spending limitation measure, Proposition 1, which was defeated in November 1973. Uhler returned to his law practice and major source of income, land development, but did not desist in his efforts to limit government spending. He maintained contacts with "the intellectual horsepower" that he had worked with while chairman of the tax-reduction task force. From the inception of the effort, Milton Friedman has played an active part in the effort to impose a constitutionally mandated federal spending limit.

In 1975, Uhler, with William F. Rickenbacker, son of the famous flyer Eddie Rickenbacker, founded the National Tax-Limitation Committee. Other members included Arthur Godfrey and Clare Booth Luce. Initial funding was supplied by the committee members, and direct mailing took hold and yielded dramatic results shortly thereafter. According to Uhler, the support for NTLC has come mostly from small businesses and individuals, with only slight corporate support coming later in the game. Almost 600,000 subscriber contributors are involved today.

From the beginning, NTLC's stated and ultimate objective has been to bring about a limit on federal spending and to effect similar tax and spending limitations at the state and local level as a part of the constitutional fabric. "The bottom line," says Uhler, "is that the only way that we can do this thing properly is by way of changing the constitution—changing the rules by which those we elect must play the game." The first two 1980 presidential candidates to endorse the NTLC constitutional amendment were Ronald Reagan and George Bush, when they were still battling each other for the Republican nomination.



Lewis K. Uhler

The NTLC amendment differs from a balanced-budget proposal in that it actually would limit federal spending to a percentage of the gross national product (GNP). While a balanced-budget amendment alone would stop the federal government from deficit spending, it would not stop the government from raising both taxes and spending.

The NTLC ceiling on spending would be the percentage of GNP spent in the previous year. Therefore, if a fiscally conservative administration reduced spending, all following administrations would be forced to do likewise. But the key feature of the NTLC amendment is a penalty for inflation. For each percentage point of inflation over three percent, the spending limit would be reduced by one quarter percent, actually reducing federal spending as a percentage of GNP. If the program had been followed for the last 10 years, says Uhler, the government would have a substantial surplus instead of a mounting deficit.

The proposed amendment was introduced in the Senate and House in 1979, sponsored by a Democrat and a Republican in both. The NTLC has taken a nonpartisan approach and has especially tried to avoid the appearance of a "conservative clique." Uhler himself is a libertarian. His personal philosophy is that "freedom works if we'll only let it." He does not like the conservative label because it can apply to those who want to conserve things the way they are, and he believes that the only hope lies in constitutionally limiting the lawmakers. He says of NTLC, "The hallmark of the tax-limitation effort is to allow those who are the productive members of society to enjoy the maximum fruits of their labor. In the course of utilizing what they have produced in their own self-interest, they produce the best society for everybody."

Although a libertarian, Uhler does not see the Libertarian Party as the mechanism of political change. "The nature of politics is compromise. The retention of a pure essence is difficult when you try to take a philosophy and forge it into a political movement. I would doubt that the Libertarian Party would ever amount to much as a political force, but as a philosophical and moral force, as a conscience for freedom, it's got a lot to say." Uhler believes that "it can be the counterpoint to what the Socialist Party has done over the last 50 years or more. The Libertarian Party can help purify and restore sanity, and if the policies and programs or, more precisely, the lack thereof encouraged by libertarianism can be adopted by the major political parties, I think the Libertarian Party will have succeeded nicely."

Right now, Uhler has an opportunity to influence the political process by a different route. He will be part of the brain-trust advising the new president. Since November, he has been working with Reagan's staff, discussing ways to expedite passage of the NTLC amendment. Uhler hopes to see it come out of this session of Congress.

Forty-seven year old Uhler is characterized by friends and associates as hard-driving, intelligent, and honest, and "he doesn't try to make you feel he's something special when you sit down across from him." He has four sons, skis when he can, and uses his 16-foot, eleven-passenger white-water raft. He and his one-time roommate at Yale, M. Stanton Evans, helped form the Intercollegiate

Society of Individualists and Yale's Independent Library, a freedom-oriented alternative information source. His law degree came from Boult Hall, at the University of California at Berkeley.

Uhler's type of work doesn't elicit many awards or honorary memberships, but he does have a plaque in his office that he seems to like. It was given to him by the staff of the Office of Economic Opportunity after he had taken on the "poverty law establishment" in the form of the California Rural Assistance Program. From the plaque hangs two brass balls. It reads: "Lewis K. Uhler. To a man born in the front bunkers of the national milieu, who has undergone shell fire and returned it in kind."

What more can you say?

Patrick Cox is a free-lance writer.

arts & letters

movies

- **The Hearse**
- **The Great Santini**
- **I Am Maria**
- **Billy in the Lowlands**
- **The Picture Show Man**

Reviewed by John Hospers

• The potential for an absorbing thriller fails to be realized in **THE HEARSE,** in spite of a finely honed performance by Trish van de Vere (spouse of George C. Scott), which leads us to believe that this film will succeed as well as her recent one, *The Changeling.* Tension mounts, and anticipations run high during the first half. But the last half muddies the waters badly with the introduction of the supernatural—scenes of devil worship, unexplained deaths, quickly shifting motives, and people turning up alive who were supposedly dead, plus interposed scenes—whether they are real or imaginary, the viewer doesn't know. One finally gives up trying to figure it all out. When a batter is granted four strikes, one wonders what has happened to the rules of baseball; and when the umpire (director) deserts the rules of the game he has set up at the outset, the viewer is bewildered, and his interest comes to an abrupt and frustrated stop.

• *Ordinary People* (reviewed here in January) is psychologically probing to the point of being clinical. **THE GREAT SANTINI** is just as psychologically probing, but it is drama at the same time—a story with more dimensions, one which plays through several more emotional octaves. In structure it is an old-fashioned melodrama, and occasionally, as in the treatment of racial relations in the South, it contains incidents which, though probably true to life, have been handled so often by Hollywood in the same way that they have become a cliché. The rest of the story, however, concerning the relations of a father to his family, is strikingly different from run-of-the-mill. The father so completely domineers his family that, if he had his way, their very personalities would merge into his. He is easy to hate for his male chauvinism and obtuseness, yet easy to admire also for his boundless *joie de vivre* and his indomitable lust for life. He is no simple "type character," and for that reason he is difficult to classify by audiences who want their characters drawn in simple black and white. That is probably one reason why this fine film had difficulty getting American distribution at all and finally appeared in art houses rather than big theater chains.

The marvelous performance by Robert Duvall is what gives the film its unique thrust and power. Without that, we would have an interesting plot and some related subplots; with it, we have total immersion in a powerful personality, not easily forgotten. Even if the film had no other virtues (though it does), it is well worth seeing for Duvall's performance alone. It is not dissimilar to his role in *Apocalypse Now,* but there he had a one-dimensional 15-minute appearance in a murky picture that went nowhere, whereas here he has a full-blown three-dimensional role in a film that provides a stunning character portrait and is electric with tension largely because of that portrayal. Perhaps this extraordinarily able actor will at last receive the recognition he deserves.

• In the midst of a trash-filled season, such fine films as *The Great Santini* and *The Stunt Man* almost didn't get released commercially after they were made. Because they couldn't be summarized in a simple sentence, it was apparently thought that they were above the level of the average American audience: after all, if only one percent of the population any longer reads books, what percentage can be relied on to see a film that stirs their dormant intellectual capacities? As a result, many good films don't get released in the cinema circuit at all, and to see them you have to subscribe to pay-television. Two of the latest examples:

A new Swedish film, **I AM MARIA,** isn't Ingmar Bergman, but it's a nice low-keyed study of a young girl. Her mother, on the prowl for a new husband, sends her off to relatives in another city, where she isn't really welcome. An old man who has lost his family spends his time as a recluse, doing fine painting. Through an accident the two unwanteds meet, and the result is a realistic and absorbing study in human relations.

A sensitive American film with no big names, **BILLY IN THE LOWLANDS** is very persuasive psychologically. Unable to get along with his over-solicitous mother, the boy is equally unhappy on the streets of the semi-slum area of the city where he lives, and his goal becomes a pilgrimage to California to live with his father, who abandoned the family years before. But the father is a lush who doesn't want the kid around, California never comes to pass, and the scene never leaves Massachusetts (where it was filmed). This is as good a film about rejection and the generation gap as one is likely to find, with the dramatic thrust of fiction and the ring of truth of a documentary.

• After the long night of Australian film making, the new explosion of cinematic talent down under seems always to be directed upon periods of Australia's past history, as if they would remain forever forgotten unless they became the subjects of films celebrating them (which may indeed be the case). The Australian "new wave" doesn't always provide us with blockbusters like *The Chant of Jimmie Blacksmith* (reviewed in REASON's July 1979 issue but only now being widely exhibited in the United States). Much more light-hearted is **THE PICTURE SHOW MAN,** set in the back country of Australia in the 1920s and involving the rivalry between two touring companies with broken-down trucks and primitive projectors exhibiting American silent films in the "culturally deprived" far interior of the continent.

Not much of consequence happens in the film, but the picture we get of the Australian frontier of that era is beautifully and lovingly rendered, along with the enraptured faces of the people (often

reminiscent of Grant Wood's "American Gothic") watching films that seem to us today silly and hopelessly dated. Except for the scenery, it may not be all that different from the Great Plains region of America in that and immediately preceding decades, to which American film makers have not yet chosen to devote their attention, except for a couple of woefully inadequate renditions of Willa Cather novels. Only the Swedish film *The Emigrants* (and its successor, *The New Land*) has done justice to the early American Midwest. Meanwhile, Australia is doing very well by its own history.

John Hospers is a professor of philosophy at the University of Southern California. His book Understanding the Arts *will be published this year by Prentice Hall.*

television

Cosmos: The Joy of Knowing

By Robert Poole, Jr.

"Book Censorship Wave Seen in Wake of Conservative Victories." So read the headline on a November interview with the director of the American Library Association's office of intellectual freedom. Judith King related recent efforts to have public schools ban Aldous Huxley's *Brave New World* and Ken Kesey's *One Flew Over the Cuckoo's Nest* (among others) and to mandate the teaching of "creationism." And *Mary Poppins* has been taken out of the San Francisco public library because of its alleged sexism and racism.

I thought of these developments as I was watching episode seven of Carl Sagan's *Cosmos* on PBS. In that segment of this brilliant 13-part series, Sagan visits the Greek Island of Samos. He tells of the brief period in its history—over 2,000 years ago—when science and free trade flowered and incredible knowledge of astronomy was developed. After a time, however, progress stopped; science had become a cult, its knowledge turned into dogma. Certain elements of that knowledge (for example, the existence of the dodecahedron) were even kept secret!

In another episode Sagan visits Holland, recalling the 1600s when the Netherlanders burst forth as the world's foremost explorers. Why this little country at that particular time, asks Sagan? Because Holland was an island of freedom, intellectual and commercial freedom, in a Europe still dominated by religious dogma. At the same time that Dutch scientists were developing telescopes, clocks, and navigational instruments for the thriving merchant-explorers, the Roman Catholic Church was threatening Galileo with death unless he recanted the heresy that the earth revolves around the sun.

It is in thus drawing the connection—the necessary connection—between freedom and progress that *Cosmos* is unique among science documentaries. Carl Sagan understands better than most others on the TV circuit that freedom is cut from whole cloth, that freedom to *think* and *inquire* goes hand in hand with freedom to *act* and *acquire*. And that periods characterized by such freedom have been tragically few and brief throughout human history. In one of the most poignant moments of the series, Sagan reflects on where mankind might be today—*traveling among the stars*—if the freedom of early Samos had become the rule rather than the exception over the subsequent two millenia. The price we have paid for dogma, intolerance, and superstition is truly incalculable.

There is much more to *Cosmos* than these sociopolitical insights, of course. Subtitled "A Personal Voyage," the series is, indeed, dominated by the persona of Carl Sagan. But even those who don't care for the man on talk shows—where he too often merely rationalizes government spending on space exploration—should give the program a chance. Where else can you find the drama of a man in love, *passionately* in love, with his work and using every device in the cinematographer's armamentarium to communicate that love? Sagan does this by showing us how the universe works, taking it apart and putting it back together again with $8 million worth of special effects.

On a deeper level Sagan gives the nonscientist many glimpses of how scientists *know* the things we all take for granted. In the very first episode he shows how an ancient Egyptian at Alexandria first figured out that the earth is round—and calculated its diameter to within a few percent of the actual figure. In its emphasis on the process of gaining knowledge (epistemology), *Cosmos* surpasses anything I've seen on television, PBS or otherwise.

There is still more in *Cosmos* to delight the thinker. Sagan politely but unequivocally puts in their places today's noisy advocates of pseudoscience, the cranks and bible-thumpers who consider evolution an "unproved theory," who revel in tales of "ancient astronauts," who wish fervently for deliverance by UFOs from the heavens. Sagan shows the flimsiness of their dogmas and reminds us again and again of the precariousness of freedom—and its absolute necessity for human progress. Yet he does not neglect to show appreciation for the insights of some ancient systems of belief regarding the cosmos, as in the concept of recurring "Brahma" in Hindu theology, which Sagan suggests could represent the pulsation of the universe from "big-bang" to the limits of expansion and back, over and over again in an eternal pattern.

Unfortunately, *Cosmos* will have just concluded by the time this issue of REASON appears. So if you've missed it, you're not likely to be able to see it soon. But it wouldn't hurt to let PBS know you'd like to see it shown again.

Robert Poole is the editor of REASON.

language

Guarding the Guardians of the Guards

By Richard N. Mitchell

Disturbed about the obvious disorders of education, groups of citizens have organized themselves as guardians of education and monitors of texts and techniques. They are no doubt decent and well-meaning people, but their understanding of "education" is as thoughtless and self-serving as that of the self-styled professionals of education who brought those disorders upon us.

These guardians of education, while they differ in some ways, all seem proponents of the back-to-basics frenzy, in which we find no merit. We champion mastery, and we mean mastery, not minimum competence, in language and number not because it is the goal of education but because it is absurd to imagine an educated person who lacks it. Having that mastery, we can make of knowledge the raw material of thoughtfulness and judgment. Lacking it, we can make of knowledge nothing more than the substance of training and the content of indoctrination.

The back-to-basics enthusiasts, who never fail to note the paramount importance of being able to read want-ads and to write letters of application, treat the skills of number and language as subdivisions of vocational training to be imparted and done with, as though reading a micrometer and reading a paragraph were acts of the same nature. In one sense,

literacy is a trivial skill, easily acquired and neither more nor less valuable than those darlings of the schools, the "life skills," things like shoe tying and crossing at the corner. In another sense, it is an endless and demanding enterprise that is also the ground of our knowledge and understanding, but an enterprise little likely to entice the minds of those taught literacy as a life skill.

All unwittingly, therefore, the guardians preach the same degradation of literacy that the educationists have so long practiced, and, strange as it might seem at first, for the same reason. The greatest mischief done in the schools is the attempt to inculcate certain presumed "values," but the guardians understand that less than perfectly. They fancy that the mischief lies not in the inculcation of values but in the inculcation of the educationists' values rather than the guardians' values. All would be well, they imagine, if only the school would foster the "right" values. And that is why they must make of literacy a "basic" life skill rather than a way of life. If you want to foster in children certain values and preclude others, you must take care that they do not develop an appetite for knowledge and the skill to make of it the raw material of thoughtfulness and judgment. Jefferson's words are an assertion of faith, not fact; fact may be "self-evident," but "truth" is not. If it were, earth would be fair, and all men glad and wise.

There is a momentous difference between coming to believe what we have often been told and deciding, as Jefferson did, out of knowledge and thoughtful judgment, to "hold" something true. The former is a kind of slavery and easy to achieve; the latter is difficult, for it requires knowledge and governed intellect, in other words, an education, but it is freedom.

Freedom is, to be sure, frightening. There is no telling what values free people will choose to hold. Decent and well-meaning guardians of values were horrified by the monstrous principles of the Declaration of Independence. It is, of course, out of fear that the guardians preach the inculcation of values, fear of knowledge and thought.

Most of the guardians urge things like the study of history and economics "emphasizing the benefits of the free-enterprise system." We wholeheartedly share the guardians' devotion to the free-enterprise system, but they obviously don't share our equal devotion to the study of history and economics, which will inevitably bring the knowledge of some facts, events, and ideas that are not at all conducive to our wholehearted devotion to the free-enterprise system.

When we study history from a certain point of view, we do not study history. If our students some day discover, as in fact they will, that we were sometimes mistaken in our knowledge of history, they will probably forgive us. But if they discover, as in fact they do, that we have misrepresented or omitted knowledge in the service of some values, they will learn to distrust both us and those values, as indeed they should—and apparently do.

If our values are grounded, as we usually imagine they are, in evidence and reason, then those who can see the evidence and who know the ways of reason are likely to adopt them. However, if we find ourselves tampering with the evidence and tempering the power of language, the medium of reason, then perhaps we ought to reevaluate our values. Should that prove unacceptable, we should at least be able to see that our interest would be best served not by asking the State to promulgate our values but by forbidding the State to promulgate any values at all. If the State can espouse some value that we love in spite of evidence and reason, it can, with equal justice, espouse others that we do not love.

The guardians do differ in one important way from the educationists. The guardians have lost their nerve, while the educationists still have plenty. The guardians, although they often wave the flag, do not truly hold the most basic value of a free society: the belief that, given the choice, knowing and thoughtful people will choose to continue in a free society. Those who do hold that value must guard against the guardians. But not in the classroom. ◻

Richard Mitchell is the author of Less Than Words Can Say *and the publisher of the* Underground Grammarian, *from which this column is adapted.*

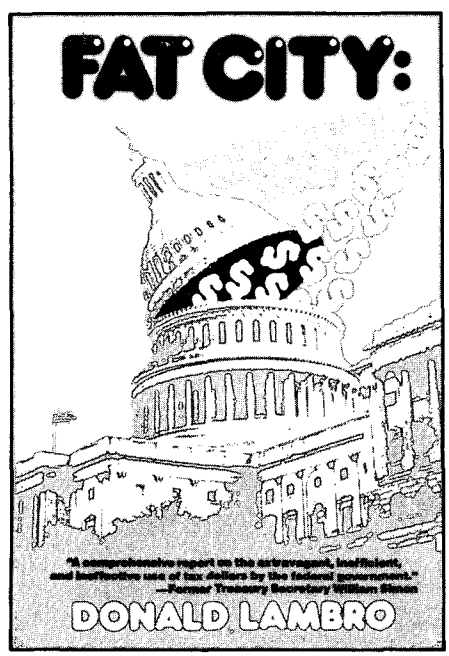
books

D. C. Obesity

Fat City: How Washington Wastes Your Taxes.
By Donald Lambro.
Chicago: Regnery/Gateway. 1980. 405 pp. $12.95.

Reviewed by Lance Lamberton

Over the past ten years Donald Lambro has been a reporter for UPI in Washington, and the last three of those years he has devoted exclusively to uncovering waste, fraud, and mismanagement in the federal government. The result of that effort is *Fat City,* an extensive, but by no means comprehensive, catalog of government waste.



The major flaw in *Fat City* is not that it goes too far in recommending cuts, but rather that it doesn't go nearly far enough. Some may argue that Lambro is seeking to avoid controversy and that his book will be more persuasive and have greater impact on the general public if he simply lists those programs that are *blatantly* wasteful. Lambro's preface, however, indicates that his reticence to make more sweeping recommendations to cut the cost of the federal government lies with his conventional view of the proper role for government in our society:

> *Now certainly, a nation of 220 million people needs and demands a big government to manage its affairs, defend its people, and meet basic social needs. . . . Most Americans quite correctly believe that government must play an important role in insuring that the basic, human needs of all Americans be provided.*

In light of the above quote, if Congress and the president were to abolish the 100 agencies and programs listed by Lambro (cuts that would save an outright $20 billion), or even reduce spending by as much as $100 billion, which is the amount Lambro estimates is squandered by the Feds, government would still remain very big. Carter's proposed fiscal year 1981 budget was well over $600 billion. Three years ago the federal budget was $402 billion. The problem with *Fat City* is that the author perceives the government to be merely overweight, rather than the obese leviathan it is.

The Libertarian Party, in its 1980

"White Paper on Taxing and Spending Reduction," was able to concisely recommend $200 billion in spending cuts within 79 pages. It took Lambro 405 pages to list $20 billion in cuts. Of course, *Fat City* is a much more detailed examination of spending programs, as well it should be. But one cannot help but question Lambro's priorities. For instance, why spend two pages attacking VIP lodges and retreats that cost taxpayers $28,000 a year—but completely ignore astronomical waste in the Social Security System, the enormous postal service subsidy, or the several billion the US government spends in providing the national defense for wealthy nations like Germany and Japan?

Especially irksome about *Fat City* is Lambro's insistence on separating "good" spending from "bad." It's as if the primary problem with government were not so much that it has gone beyond its proper role—although he recognizes that as a problem—but that it has unwisely expended our tax dollars in areas in which it has a legitimate right to be involved. In discussing the boondoggle-ridden National Science Foundation, for example, he writes:

> *It goes without saying that there is much that NSF has done and is doing that is of inestimable value and importance to the advancement of science and for the benefit of mankind. A $104,000 grant to a Wisconsin laboratory which was examining the possibility of getting safe red food color from beets is one example of useful, goal oriented research worthy of the taxpayer's support.*

Whether the research is worthy or not is—ought to be—a decision for the marketplace rather than for government-created bureaucracies.

In advocating the abolition of the National Endowment for the Arts, Lambro exercises extreme caution. "Ending these programs does not mean that financial assistance to orchestras, museums, and art galleries cannot be provided by local and state governments who, after all, know and appreciate the needs of their artistic institutions and organizations best." It doesn't make any difference to the unhappy taxpayer whether the money being taken from him to subsidize the arts is taken by the state, local, or federal government. A subsidy by any other name is still a subsidy. *Fat City* is unfortunately riddled with such weak-kneed, sometimes even apologetic, approaches to spending reductions.

Another critical shortcoming of *Fat City* is its limited scope. It fails to ask the important questions, How did government spending get so out of control? and What can be done to reform the system that made this monstrous bureaucracy possible? Failure to ask these questions, and to suggest solutions, reduces *Fat City* to simply a well-researched catalog of government extravagance. But given the limited scope of the book, it has succeeded in its mission: namely, to overwhelm the reader with a sense of the vastness of government bureaucracy in Washington, and its attendant waste.

Most importantly, *Fat City* is valuable ammunition for the taxpayers' movement. When politicians and special interests evince genuine concern over government spending but then ask, "Where can we cut?" *Fat City* is ready with some answers. This book, despite its shortcomings and unwillingness to accept a truly limited role for government, does succeed in putting to rest the notion that there is little room for additional cuts in the federal budget.

It also dispels the claim that cuts in spending will endanger vital services. A case in point was the budget crisis in New York in 1975 when Mayor Beame was making well-publicized cutbacks in the fire and police departments—what Lambro calls the "widows and orphans first" approach to budget cutting—but was leaving the wasteful and redundant city agencies unscathed. This kind of blatant political blackmail can be effectively countered with Lambro's book.

In essence, *Fat City* serves as a defense against irrational budget cuts and an offense against irrational expenditures. All in all, it is a worthwhile contribution to the taxpayers' movement. One can only hope it will have some impact on the federal bureaucracy.

Lance Lamberton is the editor of Dollars & Sense, *the news publication of the National Taxpayers Union.*

Female Facts

Women: Psychology's Puzzle.
By Joanna Bunker Rohrbaugh.
New York: Basic Books. 1979. 505 pp.
$15.00.

Reviewed by Sharon Presley

Women may, in some sense, be libertarianism's puzzle too. On the one hand, the novels of Ayn Rand have had enormous influence on making female heroes and female equality explicit components of libertarian thinking. Yet, paradoxically, Rand herself has asserted: "Man is by his nature, metaphysically, dominant." Meanwhile, back in 1974, the just as influential Murray Rothbard chortled over and praised a book in a discipline outside his own field, written by an obscure sociologist who claimed that there are inherent sex differences and that women are born to be dominated (*The Inevitability of Patriarchy,* by Steven Goldberg, reviewed in *Books for Libertarians*).

Although many libertarians reject or at least question such sexist attitudes, there has been little in-print discussion of female equality. So many have not known where to turn for research evidence to support a nonsexist view. But now, pro-feminist psychology gets "equal time."

With breathtaking comprehensiveness, psychologist Joanna Bunker Rohrbaugh first summarizes what the research literature tells us about female psychology and gender differences in five key areas—biology, personality, social roles, bodily functions, and mental health—and then compares these studies with women's own experiences. Leaving no major question in regard to female psychology unexamined, Rohrbaugh looks at all the important relevant studies and theories, both those that argue for inherent biological differences and those that see social factors as the determinants of sex differences in behavior. She critically evaluates, rather than merely reports, the evidence, zeroing in on flaws in the studies with sharp insight and pointing out the questions not yet answered on the basis of the existing evidence.

Rohrbaugh concludes that social rather than biological factors determine sex differences in behavior.

In the chapters on biology, Rohrbaugh explores the most controversial but crucial questions: Are women born to be dominated? Are there innate differences in intellectual abilities? Do hormones play a major role in affecting emotions, nurturance, and the menstrual cycle? Drawing on *The Psychology of Sex Difference* by Maccoby and Jacklin, the most exhaustive and authoritative review of the literature, as well as subsequent studies, she concludes that the overwhelming preponderance of evidence suggests that social rather than biological factors are the determinants of sex differences in behavior. Innate difference in level of aggression—the only biological difference Maccoby and Jacklin are willing to concede—is, in Rohrbaugh's opinion, still not conclusively proven.

Rohrbaugh, in a criticism also expressed by other psychologists, goes on to point out that not all social influences are in the environment. Looking at three ma-

jor theories of female psychology, she shows that psychology itself has its own sex bias and distortions. Taking on psychoanalytic theory first, she demonstrates the lack of scientific evidence to support Freud's misogynist views about penis envy and the Oepidus complex. Even Kohlberg's cognitive-developmental theory, which stresses social factors far more than Freud's does, comes under indictment. Though less blatant than Freud, Kohlberg sees not just the penis but the entire male body as connoting most of what it means to be human. Only social learning theory, which attributes all behaviorial differences to social factors, is, in Rohrbaugh's view, free of sex bias.

I cannot praise this book too highly. Though comprehensive and thorough, it is easy to read even for those with no background in psychology and is never dull or dry. In a measured tone that is never polemical but always firmly and consistently feminist, Rohrbaugh thoughtfully examines the major issues of female psychology, destroying the myths of innate sex differences with careful documentation from the discipline most qualified to deal with these questions. If you must read only one book on the subject, this is the one.

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Tax Guerillas

I'm Mad as Hell.
By Howard Jarvis.
New York: Times Books. 1980. 310 pp. $9.95.

The Continuing Tax Rebellion.
By Martin A. Larson.
Old Greenwich, Conn.: Devin-Adair Co. 1980. 273 pp. $5.95 paper.

Reviewed by Timothy Condon

There must be something about the anti-tax movement that attracts Old Curmudgeons. And that "something" is probably the fact that, while bureaucrats are paid full-time to extend the size and power of the government, most of us have the problem of having to work for a living. That leaves either the very young, the full-time paid activist, or the retired to carry the banner. Since youths don't know what it means to pay outrageous taxes and thus aren't generally interested, and full-time activists are hard to find and pay, that leaves the battlefield largely to Certified Old Curmudgeons (COCs) like Howard Jarvis and Martin Larson.

Howard Jarvis, of course, is now the best-known tax-fighter in the country... probably in the world. Although I've got to admit to having mixed feelings about the old guy—his abrasive personality and words have often been given more press coverage than the substantive issues, and the word in California is that he's often hard as hell to work with—nevertheless, we've got to hand it to him: he's an authentic and original American Hero for what he's done. And the sorrowful loss in June 1980 of Proposition 9 in California, which would have slashed the state income tax by half, doesn't take a thing away from him as prime mover in the titanic Proposition 13 struggle.

Well, now he's come out with the story of that struggle. *I'm Mad as Hell* recounts those 15 lonely years when no one would listen and gives old Howard a chance to "tell it like it is," which is to say, "tell it the way he sees it." Although I'd criticize Jarvis for his sniping in the book at Paul Gann, with whom he's fallen out, and for not giving more specific individual credit for the Prop. 13 victory to the many courageous leaders across California who fought the battle, what the hell, it's His Story, and he deserves to be able to tell it His Way.

Besides, the book is surprisingly well-written (with a ghostwriter coauthor) and fun to read. Jarvis wouldn't *think* of pulling any rhetorical punches, with the result that we're treated to lines like these:

- On Leo McCarthy, Speaker of the California Assembly and the most vicious antagonist taxpayers have in the state: "He was generally considered to be the most powerful politician in California, except for the governor. And McCarthy was not too bright."
- On the opponents of Prop. 13: "In plain English, what we were trying to accomplish was to put a fence between the hogs and the swill bucket. Virtually all of the howlers against Proposition 13 had their noses buried deeply in the public trough."
- On Tip O'Neill, speaker of the US House of Representatives: "As far as I'm concerned, Tip O'Neill...is a run-of-the-mill political hack who has few scruples and not much of anything else to qualify him to hold power."

It's *great*. In addition, the book is a valuable source for lining up a Who's Who of the tax rebellion: exactly who's lining up *for* it, and who's trying to torpedo it. For instance, in the Prop. 13 battle, big business almost totally opposed it and lined the coffers with millions in donations to help defeat the tax measure. The offenders included the Bank of America, Atlantic Richfield, Standard Oil of California, the Southern Pacific Railroad, and a number of others. The media? Jarvis points out that *all* the major media and most of the smaller newspapers in the state opposed Proposition 13—with the sole major-media exception of the lonely and courageous *Los Angeles Herald Examiner*.

And yet...and yet the people won! What a victory. What a story. Jarvis gives us his prescription for what should be done for the future and waves his tax rebel's flag through the book. Long may it wave, too.

Now Martin Larson, on the other hand, offers up a distinctly different set of tax-rebellion strategies than does Jarvis. Larson, who at 83 makes the 76-year-old Jarvis look something of a youngster, is a long-time nemesis of the IRS, the author of 25 books, and a fighter for the Constitution of the United States. In his new book, *The Continuing Tax Rebellion*—subtitled, *What Millions of Americans Are Doing to Restore Constitutional Government*—the opening sentence says it all: "The middle-class tax-rebellion taking a multiplicity of forms is now sweeping the nation because our national government has become a vast system of extortion and bribery, discrimination and oppression, regimentation and extravagance, which are without parallel in recorded history."

The tax battlefield is left largely to Certified Old Curmudgeons like Howard Jarvis and Martin Larson.

With that setting the tone, Larson—who has written about a dozen books blasting the IRS and federal bureaucracies—gets down to cannonading these *bete nôirs* once again. But it's all nothing new: this courageous old man, a gut fighter of the old school, is continuing a 30-year rampage against these famous enemies of every libertarian. In his book, Larson tells about all kinds of clashes between the forces of Good and Evil, titling his chapters "The Pioneers" (giants like Vivien Kellems and Arthur J. Porth), "The Crusaders" (Marvin Cooley and others), "Tales of Courage and Victory" (including the incredible Phil and Sue Long, who cracked the IRS wide open using the Freedom of Information Act), "Profiles of Freedom Fighters" (including the late and well-loved Karl Bray), and others.

Still other parts of the book deal with Larson's own ongoing battles with the IRS—no small saga in itself—and gives suggested tactics on how to proceed with the struggle so as to cause the maximum amount of fear and loathing among the

enemy. I wouldn't *recommend* his techniques to anyone not prepared to weather considerable physical and emotional abuse, but that's because Larson and others of his sturdy type tend to read the Constitution for what it manifestly says. And that doesn't work.

Yet even so! What a crew these 20th-century individualists make! Many of them went to prison. Even more of them made television and radio appearances, all the while being threatened with jail, bankruptcy, harassment, fines—the whole panoply of IRS threats and abuse. Brave people. Maybe we'll even someday be able to look upon them as the Revolutionary Vanguard, the Galvanizers of the Masses...what the hell—the Suburban Middle-Class Workers' Guerilla Strike Force! Onward! To the Tax Rebellion! To victory!

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Feeding the World

Wealth of Nations in Crisis.
By Ronald C. Nairn.
Houston, Tex.: Bayland Publishing. 1979. 289 pp. $12.95.

Reviewed by Lynn Scarlett

Despite lofty rhetoric and abundant promises, the Third World is still hungry. Blame is typically placed on imperialism, overpopulation, poor technology, resource scarcities, or a plundering multinational agribusiness. Ronald Nairn's *Wealth of Nations in Crisis* offers another perspective. For Nairn, individuals are the "alpha and omega of all that happens on this planet." Man is both the promoter of development and its chief inhibitor. On the one hand, the autonomous action of individuals creates wealth. On the other, man, abusing power through the vehicle of the State, is thwarting development.

Nairn's theme is not unique. What sets his argument apart is its scope, its force, and its consistency. The breadth of topics upon which Nairn touches is astonishing. He first attacks the "wisdom" of the "crisis-brokers," that wave of pessimistic analysts who claim overpopulation and resource exploitation signal doom for mankind if comprehensive controls are not undertaken. With equal ardor he admonishes the romanticist, pushing for some "new Arcady" in which manual labor, organic fertilizers, and nature's bounty would replace modern technology, likening them to a religious cult who would push their worldview on others through State action.

In building his own theme Nairn discusses technology, politics, ideology, bureaucracy, and culture; first as abstractions, then in relationship to agricultural production. That he should provide detailed information on agriculture is not surprising given his training as an agricultural consultant. That he is equally capable of invoking the wisdom of Buddhist, Hindu, Confucian, and Christian philosophy, drawing from classical literature, citing economic treatises, or reviewing widely ranging political theories is inspiring. This tremendous versatility transforms Nairn's work into a philosophic venture rather than strictly an assessment of global agricultural problems.

Nairn's work is uncompromising, even zealous, in tone. For the academic, used to pretended objectivity and subdued scholarly jargon, his style may seem irritatingly messianic. But that is its strength. His crusading tone is backed by extensive knowledge of agriculture, both as science and practice. He has spent over 30 years as an agricultural consultant in the Third World. His vigorous condemnation of current political schemes and prevailing theories arises from first-hand experience, not from ivory tower contemplation.

Though a major strength of Nairn's work is his candor, it also detracts from the subtlety of his arguments. This is particularly true in his prescriptions for change. For example, viewing with dismay the bureaucrat's penchant for regulation, he says simply that bureaucrats must change. They must (if they are to exist at all) restrict their role to that of teacher, and servant, not regulator. One wonders if Nairn truly believes this recommendation to be possible. If so, it is a naive expectation.

Because his overall work reveals so much depth of thought it is unlikely that his simple and direct prescriptions *are* the result of naivete. A second interpretation is that Nairn, although aware that his proposals for change are improbable, nonetheless sees no other real solutions to the food problem. However pessimistic he might be of their implementation, he insists on bluntly spelling out what he perceives as the only ultimate answers to increasing food production. Whatever the motivation for his blunt proposals, the reader is left wondering how, if at all, one can bring about the fundamental changes in political behavior that Nairn advocates.

In spite of this criticism, Nairn's overall argument is a powerful one, both because it is forcefully stated and because it is remarkably consistent. He is unswerving in his condemnation of the State as economic planner and paternalistic provider. He does not succumb to the common ploy of criticizing one form of government intervention only to advocate another in its place. He consistently looks to the individual peasant for the solution to the world's food problem, insisting that where individuals have the liberty to optimize their talent, they are capable of transforming the world into a cornucopia. Nor is his claim merely speculative. He backs his assertions with a wealth of examples in which peasants, unfettered by government interference and taxation, have fashioned productive farms out of even the most hostile environments.

Perhaps what is most appealing in Nairn's approach is his keen appreciation for the diversity of cultures in the Third World. He is not a cultural imperialist blindly wedded to Western technology, property arrangements, and work habits. This sensitivity to cultural diversity sets Nairn apart from free-market conservatives who join him in decrying State controls but seldom prescribe anything beyond imitation of Western-style norms and practices as the panacea to the Third World's ills. He is, for example, comfortable with communal land ownership under some circumstances. Nor does he espouse the slaughter of sacred cows in India, as do many other analysts searching for an immediate remedy to India's food problem.

Wealth of Nations in Crisis is not simply a book for agricultural economists or Third World specialists. Full of information and philosophic insight, and written without pretense, it is a book that anyone interested in the fruits of individual liberty could enjoy.

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Put Your Money Where Your Energy is

Money and Energy: Weathering the Storm.
By C. V. Myers.
Darien, Conn: Soundview Books. 1980. 238 pp. $7.95.

Reviewed by E. Raymond Pastor

This book by Canadian investment advisor C. V. Myers, whom *Barron's* called "the bear from the north," contains some material previously published in his *The Coming Deflation* (Arlington House, 1976). True to form, Myers again alerts his readers to prepare for the inevitable

credit collapse. The first quarter of the book is somewhat slow going, however, as Myers provides background on such subjects as the nature of money, stores of value, inflation, and gold standards. The pace picks up, however, when he gets into the Bretton Woods gold exchange standard, nonconvertible currencies, and the ultimate put-on: "paper gold," or SDRs.

Very little of Myers's book actually pertains to energy, but, alas, it is perhaps the most interesting part. With America's age of prolific petroleum production behind her and nuclear power, as we know it today, essentially finished, Myers declares that our only real and practical salvation lies in coal. Given that the next five years are very critical ones, he says, *only coal* affords us the chance for independent survival. Myers explains quite convincingly that tar sands, shale, solar, etc., cannot be brought forth in sufficient *volume* to even make a meaningful contribution to our energy needs during this critical decade.

Myers makes it crystal-clear that money and energy are inextricably intertwined.

The United States' dependence on Mid-East oil for a substantial part of its energy requirements is the greatest danger in its history, according to Myers. Moreover, the overexpansion of money and credit and underdevelopment of coal have created the current crisis. Myers informs us that this must inevitably result in a deflationary collapse. Astronomical quantities of debt the world over and dependence on importation of fuel for survival make the United States and some other Western nations extremely vulnerable should an embargo occur once again.

Myers's explanation of the $600 billion Eurodollar overhang and the newly emerging European Monetary Union with its gold-backed currency (the "ecu") is fascinating and is, he alleges, "the most historic monetary development of the twentieth century because it splits the world into two monetary camps....It might make you a fortune to understand it, and it might cost you a lot not to." In addition, there are several subject areas in this book that are indeed enlightening and may prove to be profitable to the reader. In addition to the aforementioned chapter on the "ecu," the chapters on coal and alternative forms of energy are especially good. The chapter on nuclear power is also absorbing and illuminating.

In conclusion, Myers makes it crystal-clear that money and energy are inextricably intertwined. Our weakened energy situation is one of the direct results of our weakened money. He prescribes what you can do with your assets in preparation for the inevitable collapse. When it comes to buying "paper," however, he suggests that you stick with selected quality common stocks of monetary metals mining and energy companies, especially coal. He recommends specific companies in coal conversion—that is, gasification and liquification—as well as those with large coal reserves in which to invest. That information *alone* makes this book of great value to investors.

Ray Pastor is a senior account executive with a NYSE firm in Hallandale, Florida.

Bumbling and Betrayal

Bay of Pigs: The Untold Story.
By Peter Wyden.
New York: Simon and Schuster. 1979.
325 pp. $12.95.

Reviewed by Armando Simón

Peter Wyden's book is a welcome addition to Haynes Johnson's 1964 *Bay of Pigs,* written in collaboration with the Brigade leaders. Wyden's advantage is

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that he was able to interview not only the Brigade members but also the CIA personnel, as well as members of Castro's armed forces. He was even able to interview the *Lider Maximo* himself!

Playa Girôn (Girôn Beach), as all Cubans refer to the expedition, must stand among the annals of military history as a unique case. As rare as a military operation carried out flawlessly is one that turns out a complete disaster. Most operations have certain aspects that are executed smoothly as planned and other aspects that come up against unexpected obstacles. Playa Girôn is one of those rare instances when everything—literally everything—that could conceivably go wrong did. If somebody had written the scenario as a work of fiction, people would have said, "No, this is too fantastic."

The CIA's faceless visage disappears, and instead we see people and what those people did to bring about a fiasco.

For example, some of the CIA operators dealing directly with the Cuban exiles knew nothing of Latin America. One, a German, could not be understood by either the Americans or the Cubans. The recruiters actually thought they would be believed if they said that they were not from the government. At first, training was public in Florida, then it was moved to the Guatemalan forest, where there were no medical supplies and overall living conditions were miserable. There was social segregation between the Cubans and the Americans. The CIA recruited both *Batistianos* and anti-*Batistianos,* which resulted in chaos during training and promoted the Cubans' unlimited ability for petty factionalism.

The original plan had been to land near Trinidad at the foot of the Escambray Mountains; this would have meshed nicely with the expected popular uprising against Castro. Instead, it was shifted to the isolated Zapata Swamps. Unknown to anyone, Castro frequently fished in the area and so was well acquainted with it. The Pentagon directly and indirectly was against the plan for tactical reasons but was ignored; even the obvious advice of a marine not to stock the gasoline and the ammunition together was ignored.

A back-up plan should the expedition fail was for the Brigade to go to the Escambray Mountains and engage in guerrilla warfare—but the landing took place in Zapata. U-2 photographs of the beach were identified by exiles as reefs; their debriefing officers insisted it was seaweed; the landing crafts ran aground. Lifeboats were rotten. Diversions elsewhere did not take place.

The landing was supposed to be unnoticed; it was met by militiamen and a radio station. The invaders were to be protected by an air "umbrella"; half the air strikes were called off by President Kennedy. Planes strafed both sides. The ships carrying fuel (in 400-pound barrels to be handled by hand!) and the ammunition were sitting ducks. When the Brigade started to run out of ammunition, Kennedy vetoed a resupply. And so on, *ad nauseam.*

In addition to recounting all this, Wyden has done a good job of expressing the emotions of all parties concerned, so that the book is not just a dry tome on logistics.

Some information is revealed also for the first time. One of the keys to the plan was the underground, which was fairly well supplied, but they learned of the invasion from the radio and watched helplessly as truckload after truckload of reinforcements drove over the bridge they were supposed to blow up. It is well known that during the expedition the underground was totally decimated as Castro's G-2 rounded up dissidents. The exact number of members was unknown;

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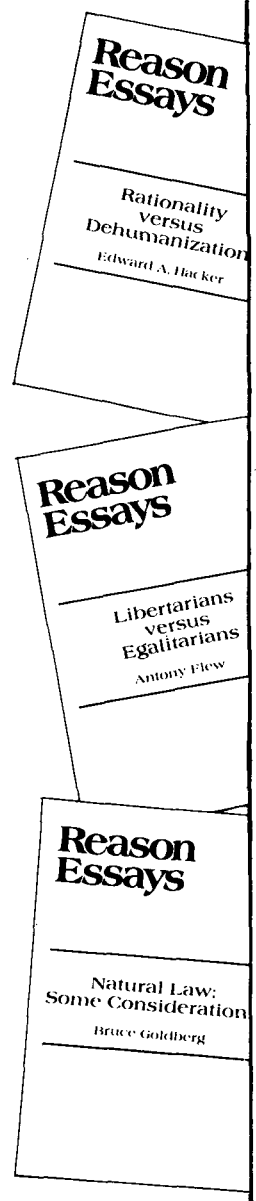

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we finally learn from Wyden that over 100,000 persons were executed.

We also learn that Castro had plans covering the eventuality of a successful invasion—plans that would have resulted in a war of attrition. From what I remember of children being trained with weapons, there is no doubt that Castro would have turned Cuba into an even bigger slaughterhouse than it has been. We must not forget that the Nazis and the Viet Cong threw children into battle.

The book has some minor defects. They stem primarily from the author's viewpoint and personal biases. Thus, E. Howard Hunt is portrayed as the devil, but we are not really given reasons for the portrayal. One detects that Wyden also wants to pour abuse onto Nixon, but, because the latter had relatively little to do with the invasion, he cannot. In contrast, he wants to salvage Kennedy's image, despite JFK's repeatedly mediocre performance. Again, these defects are minor. Indeed, by pointing out the various personalities in the agency, the CIA's faceless visage disappears, and instead we see people and what those people did to bring about a fiasco: the ambitious and brilliant Bissell, the incompetent Cabell, etc.

Lastly, his generalizations are too reminiscent of the mindless cliches of the riotous '60s. While he keeps harping about the moral issues of overthrowing a (totalitarian!) government, he never really states those issues. Furthermore, Wyden seems to believe that the Cubans did not rise up against the Communists because they supported Castro. Quite a few did indeed. The rest, however, were terrorized by the G-2 and the "neighborhood committees."

The Bay of Pigs was the first of a number of betrayals by the American government of its allies—betrayal *is* the proper word. The Bay of Pigs was also the most noticeable, and the apparent beginning, of a series of humiliations of the United States. It was soon followed by Pueblo, Vietnam, the Tehran hostages, the nuclear submarines in Cuba, and others. You would think we would have learned by now.

Armando Simôn is a trilingual native of Cuba, now living and teaching in the United States.

My personal ambition has been simply to live by the work of my pen. This is not a very fastidious ambition, and if I were aware of a large amount of federal money available to purveyors of the written word I would attempt to gain access to it. But I would rather have as my patron a host of anonymous citizens digging into their own pockets for the price of a book or a magazine than a small body of enlightened and responsible men administering public funds. I would rather chance my personal vision of truth striking home here and there in the chaos of publication that exists than attempt to filter it through a few sets of official, honorably public-spirited scruples.

—John Updike

Historically, the federal government has intervened in private business for two reasons: to protect the public from being run over by corporate monopolies and to give a free ride to favored blocs. But whether the original motive was lofty or dubious, the results invariably have been the same: waste, inefficiency, unreasonable prices and an erosion of the industry's capacity to compete.

—Jack Anderson

letters

(Continued from p. 8.)

television. One of these decisions ruled that the protection of copyrights to local shows is illegal; that is, if a local station had purchased exclusive rights to air a particular program in Cleveland, a cable

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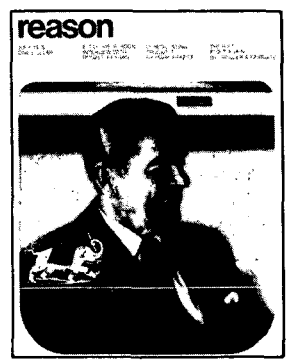

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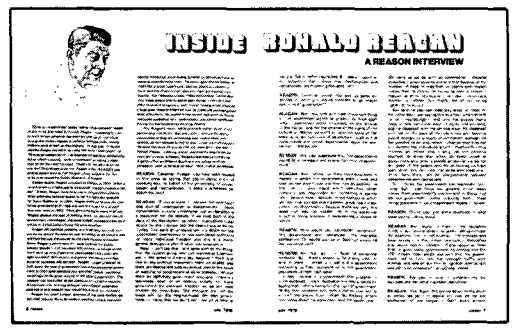

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operator could pick up the show's signal from another market and show it to Clevelanders without paying for the privilege.

How this could be hailed as a "victory" by any advocate of the private enterprise system remains a deep, dark mystery. Strict enforcement of property rights is essential for such an arrangement; this court decision represents another in a long series of legal interpretations where the private marketplace is being overruled by regulators operating on a theoretical misunderstanding of the requirements necessary for true market competition.

By the way, I think REASON should definitely run lots of articles attacking the "New Celibacy" and pay the notoriously witty author of Brickbats (what a terrible name for such a wonderful column) more than everyone else in the magazine combined, for I'm sure that he remains the only reason people buy REASON, and I hear rumors that he may be considering his alternatives.

Tom Hazlett
Los Angeles, CA

Mr. Poole replies: The reason the FCC's distant signal and syndicated exclusivity rules were adopted in 1972 was to compensate for the lack of a copyright law covering cable-TV systems. Such a law was passed in 1976 and took effect in 1978. Consequently, the argument raised by Mr. Hazlett is beside the point.

Ve Guess Ve Goofed

Regarding a letter from M. Benesh and an editor's sarcastic reply (Nov.) on the Van Norman Dam break: In the early days of radio there was a comedian, whose name I cannot recollect, who had this comeback: "Vas you dere, Sharlie?" Evidently M. Benesh "vas" and Reed, his sources [*Science*], and REASON's editors "vasn't."

After reading in your magazine that the reservoir had been empty before the earthquake, I wondered whether my memory was faulty and phoned a friend, a former employee of the Los Angeles Department of Water and Power. Verification was immediately forthcoming with the loan of two issues of *Intake,* the house organ of the DWP, February and March 1971. If the dam was empty, why did hundreds of DWP employees work day and night to avert a disaster? If the dam was empty, how could the concrete lining break away and slide under the water?

To close, next time consult someone who "vas dere."

Carl Hodapp
Glendale, CA

Radiation Rights

Bruce K. Bell's thesis that trespass is functional as a legal and political principle only if it results in harm emasculates property rights. The perpetrators of chauvinistic government, religion, and other autocratic institutions have long excused their *de facto* trespass on people's lives and other property by asserting that they were doing them no harm but in fact helping them.

If my natural right to self-ownership is inalienable—as any libertarian must aver—then I can justifiably tell anyone to keep his/her hands or rays off my body for any reason I want or for no reason at all. This principle must be operable until the person who wishes to lay hands or rays on my body can *prove* by some reasonable standard that his/her hands/rays will have no effect on me, thereby making my property right irrelevant to his/her activity, or until I freely give permission for him/her to "cross" my property. Neither has happened thus far in relation to nuclear power production in general and low-level radiation in particular.

Chris Brockman
Dryden, MI

Norwegian Defense

I have just read Tibor Machan's editorial, "A Call to Sanity on Foreign Affairs" (Oct.). Well spoken! I am glad that he openly advocates an effective defense of the United States, and I agree with his balanced argumentation towards that conclusion.

Of course, my agreement is part egoism, since I live in a small country on the fringe of a totalitarian empire, in comparison with which welfare-statist Norway looks shiningly libertarian, just, and decent. Norway is now the *only* democratic and independent country left with a border in common with the Soviet Union, and that fact owes a great deal to NATO, the United States, and our own defense effort. These are realities which I cannot overlook, even if they do not tally with the logic of some of my libertarian friends in the United States, who make me feel like a heel. Machan made me feel better.

Ole-Jacob Hoff
Tjome, Norway

Sweet Sorrow

There's no question about it—I am cursed with bad timing. I once pitched an idea to the story editor of the television series *Maude* in which Maude is threatened by a rapist but uses reason and intelligence to foil her would-be attacker and successfully defend herself. The story editor's cold response: "There's nothing funny about rape." A few years later Edith Bunker...well, we all know what almost happened to *her.*

Now I find out that I've been beaten to the punch on my proposed secession novel by Nathaniel Benchley with his *Sweet Anarchy,* deliciously reviewed by David Brudnoy (Sept.). (And I didn't even have Benchley's advantage of being privy to the goings-on in Nantucket.) I am just ungracious enough to delight in Mr. Brudnoy's assessment of Benchley's work as "crummy." A sweeter word was never applied to the work of a faster writer. I take heart, and a clean sheet of typing paper...

Kathleen Collins
North Hollywood, CA

Coming Attractions

- **Deregulated Rails?** Don't you believe it. While the ICC may be about to expire, the Federal Railroad Administration has been quietly building up a whole new regulatory empire.
- **Laffer's Curve:** Our reporter queries economist Art Laffer about his famous curve, about "supply-side economics," and about the virtues of large-scale tax-cutting, in this exclusive REASON interview.
- **Nuclear Wastes:** Are they really an unsolved problem? Engineer/writer Petr Beckmann sorts through the issue and separates fact from fancy.
- **Durk Pearson:** TV's most popular scientist begins a monthly column (coauthored with Sandy Shaw) on medicine, health, and nutrition science and technology.

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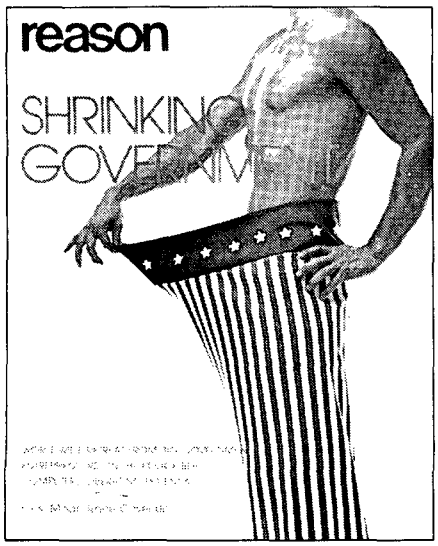

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SS Solution

In his review of Henry Hazlitt's *Economics in One Lesson,* John Chamberlain concludes with a question, referring to the $4 trillion of Social Security liabilities not yet funded: "How are we ever going to get out of that box?" It's simple enough, but not easy.

The pretense is that Social Security is insurance. It is not. It merely rips off from present workers to overpay former workers, in order to build a federal government empire. This nation is being bankrupted by such measures.

The need is to approach current workers to band together to eliminate the burdens of Social Security, pay off existing debts, and modify the system merely to pay doles to fit desperate needs that cannot otherwise be handled. The appeal has to be to existing recipients' patriotism, pride, and fear of inflation. If they continue to insist on getting their handouts, they will continue to force up inflation, which will destroy the savings that make it possible for *most* of us to live above the primitive level of those on SS.

The change would give back to people whatever they have put into the system (minus what they may have received), plus interest at rates current over the years of "investment," perhaps plus an allowance for inflation. Once they were repaid, there'd be no more.

Medicare should be amended so that every dollar paid out by the government above what the beneficiaries pay in should be a lien against their estates. This would develop a substantial incentive to use it only in dire emergencies in order to leave an estate to the grandchildren. Today, many are flagrantly abusing the system. Many would have no estate to deter their continued overuse, but still there are enough who have something to hand on to make a substantial reduction in existing demand for medical services. That in turn would tend to reduce medical costs as supply continued while demand dropped.

There are enough working people voting to have a tremendous effect on politicians torn between getting union support and losing the votes of the senile socialists. The latter have a ninth of the population but only a third of them are sufficiently organized to be effective, even if all agree. The unions have around 22 percent of the population, and if the workers themselves can be induced to get rid of SS by this program, they'd induce their leaders to agree and soon put it through Congress. And those union people who want more jobs for their members should realize that if all retirement funds had to be invested in enterprise, there would be new trillions to build companies and jobs beyond anything in the past.

Thomas S. Booz
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Drugs and Diet

Mr. Monson's article about the US drug laws was quite interesting. But it seems that nobody goes to the basic thing, and certainly not any American.

The urge to drink alcohol, or to take the more "weak" drugs depends upon the general diet. If the food is not properly balanced (I am a biochemist, but I tell you to throw your biochem textbooks out the window), the person will get a yen for alcohol, and if the food is still weaker, then he will get a yen for drugs. It has been said, rightly so, that if a person's diet could be controlled, for six months, the controller could either make a drunk out of man or, if he were a drunk, could make a teetotaler out of him. Likewise, the wrong diet will predispose a person to taking drugs, and the effect of that diet on the personality will be stronger than most laws.

It is hard to tell an American that food has any effect on the personality, as their minds are so imbued with false philoso-

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phies—Malthus, Pasteur, and Liebig—that they will neither listen to reason nor observe what is around them.

Harold N. Simpson
Chicago, IL

Learning about Freedom

I had the opportunity recently to read an issue of your publication, and I enjoyed it immensely.

I share your libertarian viewpoints, not only because as an incarcerated individual my awareness of liberty deprivations has increased, but also because I can see a great need for the average citizen to become aware of stifling encroachments upon his personal freedoms. After my release, I desire to take a more active stand on individual rights than I have in the past.

I would greatly appreciate it if you could print my letter in your magazine. I would like to correspond with others who share your viewpoints, to increase my awareness and knowledge of the problems and solutions to these problems regarding personal liberties.

Thank you for your assistance, and please continue your fine work in your magazine.

Gerry Nappa
Attica, NY

classifieds

ANNOUNCEMENTS

INVESTIGATIVE JOURNALISTS—If you have an idea for a story about economic or civil liberties problems, let us know. The Sabre Foundation awards grants of up to $1,500 for research into adverse effects of government activities. Send 500-word description, samples of previous articles, and resume by Feb. 1 to Journalism Fund, 325 Pennsylvania Avenue SE, Washington, DC 20003.

OPPOSED TO THE DRAFT? ABORTION? Intellectual ammunition: $1.00. Speakers available. Inquire: Libertarians for Life, 13424 Hathaway Drive, Wheaton, MD 20906.

WE ADDRESS THIS MESSAGE to all principled libertarians: You have seen the Clark campaign abandon the LP platform and take an opportunist line on major issues (50% taxation, Mexico-Canada defense perimeter, pro ERA, anti-nuke). The abandonment of principle became so blatant it compelled the resignation of the campaign Publications Review Committee. Ironically, the Clark-Koch opportunist line failed to achieve significant political gains in spite of massive spending. We were not surprised. The Libertarian Party is not ideologically prepared to effectively challenge the present statist power elite. We in the Libertarian Party Abolitionist Caucus generally foresaw these problems and warned the anti-statist movement. We now invite you to study our materials and join us in overcoming these problems. For our Ten Points and accompanying documents, please send $2.00 to cover costs: Write LPAC, P.O. Box 30681, Seattle, WA 98103 or phone 206/367-1168.

BOOKS

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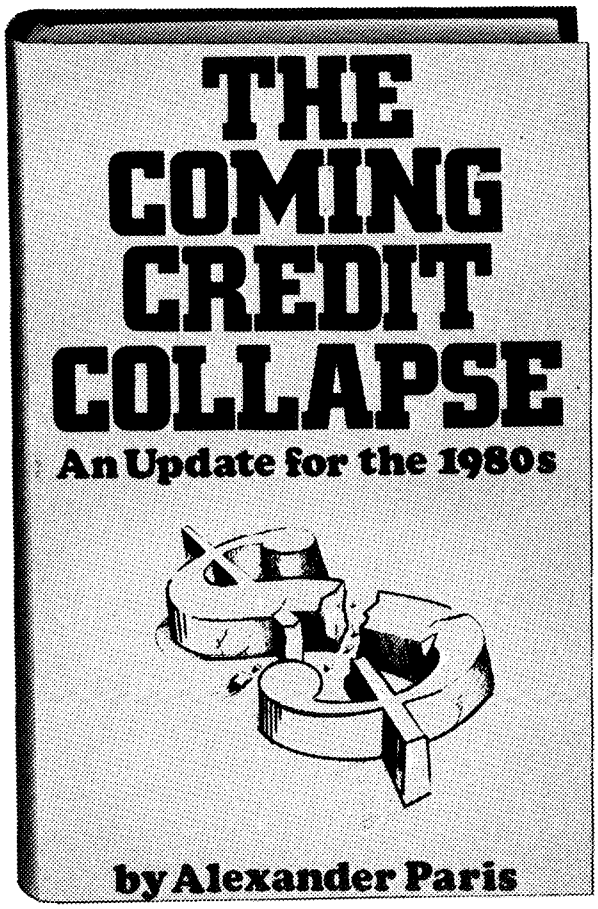

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A Unique Service

New Publication Promises Investors an Edge in the 1980's.

by William Bonner

Mark Hulbert is one of a new breed. A "whiz kid" with a degree from Oxford University, Hulbert is convinced that too many investors "fly by the seats of their pants," and lose millions as a result.

"They tend to follow the advice of one investment advisor without any way of judging the quality of the advice," he says.

Hulbert, author of numerous articles on international finance, has spent years researching banking practices and economic trends. He decided to put his research abilities to work scrutinizing the investment advisory services.

He started a gutsy new service, with a new publication, called the *Hulbert Financial Digest,* at its head.

The maverick publication digests the advice of other financial experts—including well known experts such as Julian Snyder, James Sinclair, T.J. Holt, C.V. Myers, Howard Ruff, Harry Schultz, and many others. It presents a summary of the advice offered along with an analysis and commentary from the editor.

In effect, the reader gets *thousands of dollars worth* of financial advice for the relatively low price of $67.50 which Hulbert is charging his **CHARTER** subscribers.

That alone would seem to make the *Hulbert Financial Digest* a sure winner among hard-pressed investors of the 1980's. It virtually guarantees investors access to the best investment advice around at a very modest price.

But Hulbert doesn't stop there. The *Hulbert Financial Digest* also keeps track of the advice each expert is giving and *rates them on the basis of their performance.*

Investors can check their own investment strategies against those of the experts on a regular basis. They can see which strategies are paying off and which are not. (Hulbert even goes so far as to give dollar amounts for the success or failure of the various investment strategies he analyzes.)

"Another problem with much so-called investment advice," says Hulbert, "is that it is nothing more than vague generalities about the state of the economy. Several of the investment letters I analyzed gave absolutely no concrete recommendations."

Hulbert has a solution to this problem too. His new newsletter will rate financial advisors on the clarity of their advice as well as the information they contain.

"This is a way to make sure the investor gets his money's worth," says Hulbert. "We'll tell them when the advice can be translated into profit...and when it can't.

"Also, the *Hulbert Financial Digest* will distill huge amounts of verbiage into a simple, straightforward summary. This will enable the busy executive to get the most useful information in the least amount of time.

"The investors who subscribe to my newsletter," Hulbert pointed out, "have a clear advantage over those who do not."

The first issue of the new publication appeared in September 1980. Already, demand for the new service has exceeded Hulbert's own expectations.

The demand is partly explained by the **iron-clad guarantee** Hulbert is offering.

"If anyone is not completely convinced that this publication is a great benefit in choosing the most profitable investment strategy for the 1980's, after they've received one issue, I'll refund every penny of their subscription money. No questions asked."

This guarantee allows curious investors a chance to try Hulbert's publication *without risking a penny.*

"It would be foolish for an investor not to give this offer a try," Hulbert maintains. "The average investor has thousands and thousands of dollars at stake."

"If it turns out that my service can't help the individual investor, he just cancels and gets all his money back. It doesn't cost him a dime."

"On the other hand, if this service is as valuable as I think it is, the investor stands to make thousands of dollars over the next few months with an investment of just $67.50."

Investors who want an edge in the 1980's are invited to fill in the coupon below and mail it to *Hulbert Financial Digest,* 10 E St., S.E. Washington, D.C. 20003.

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